



# switched on

Annual Report & Accounts 2003 - 2004

dti

A DTI SERVICE



*Companies House*  
— for the record —



## A DTI SERVICE

The DTI drives our ambition of 'prosperity for all' by working to create the best environment for business success in the UK. We help people and companies become more productive by promoting enterprise, innovation and creativity.

We champion UK business at home and abroad. We invest heavily in world-class science and technology. We protect the rights of working people and consumers. And we stand up for fair and open markets in the UK, Europe and the world.

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Companies House has been hard at work incorporating electronic services. New systems and platforms are transforming the way we work, giving our switched on customers the fast, convenient, up-to-the-minute, secure service they want.

Presented to Parliament pursuant to section 4 (6) of the Government Trading Funds Act 1973  
as amended by the Government Trading Act 1990

Companies House is an Executive Agency of the Department of Trade and Industry

Ordered by the House of Commons to be printed 21 July 2004

Companies House has two main functions:

the incorporation, re-registration and striking off of companies and the registration of documents required to be filed under companies, insolvency and related legislation;

the provision of company information to the public, for which purpose we enforce compliance with statutory requirements.

Our vision is to excel as a registration authority and a source of public information for the benefit of the UK economy.

## Providing information

We currently hold the records of 1.84 million live companies and 2.6 million dissolved companies. Information is available in a variety of forms to suit different customers' needs, whether they are individual searchers or large business information companies. Information can be accessed in the following ways:

- online data and image subscription service (Companies House Direct) ▶ and scan-on-demand for older documents held on microfiche
- our website, [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk), ▶ which includes our WebCheck service that gives visitors access to free information and chargeable information for which they can pay using a credit card
- extranet and XML Gateway
- file transfer of data products
- document image tapes
- CD-ROM directories
- telephone orders for company information in a selection of formats
- contact centre for enquiries by telephone or email.

Some users of Companies House information do not take it directly from us, but via an intermediary who may add value to the information by, for example, providing an assessment of the financial position of a company or additional information from other sources.

## Registering information

Limited liability is intended to reduce personal risk in business and to provide an incentive to trade and commerce. In exchange, companies are required to file certain information about themselves at Companies House. This information is made available to the public to help them make informed decisions, such as assessing the creditworthiness of potential customers. Every year, companies send us a range of documents, including annual returns, accounts and changes to directorships, either directly or through their professional representatives.





up to the  
minute

“The Companies House website ▶ is the first place to go if you’re after the latest information on pretty much any company in the UK. And the Companies House Direct ▶ service makes it especially cost-effective for our firm, as we’re always looking for company documents. Where else can you get a company’s latest annual return and accounts for a fiver? ▶”

## Key achievements

Our workload increased by 8.4% with 6.9 million documents processed, compared with 6.3 million in 2002/03.

There was a dramatic increase in the number of new companies formed, up 19.2% from the previous year.

Companies House's Annual Report was shortlisted in the Accountancy Age Awards 2003 competition.

Electronic incorporations increased by 23% compared to the same period last year and now account for more than 67% of all incorporations.



We achieved nine of our eleven public targets.

Companies House is responsible for delivering two of the 30 key government services identified by the e-Envoy for e-enablement: the incorporation of companies and the filing of company accounts and annual returns. We have achieved the first target and with the introduction of the electronic annual return (363) ▶, which went live to all users in December 2003, we are well on the way to achieving the second.

The Companies House website was redesigned and launched in December 2003 at the Online 2003 exhibition. Content, navigation, visual effectiveness, ease of use and accessibility have been improved.

We worked with the Small Business Service, Inland Revenue, Customs and Excise and others to develop [www.businesslink.gov.uk](http://www.businesslink.gov.uk) ▶, a new portal that aims to simplify transactions with government. It was formally launched in May 2004.

## Joint statement from our Chief Executive and the Chairman of our Steering Board

This has been a year of growth  
and change at Companies House.

We have seen a dramatic increase in the number of companies incorporated and this has showed no sign of slowing down, leading to an increase in workload of over 8% and the highest ever company register (1.8m). Despite this, staff have met nine of eleven demanding targets, including their efficiency and financial targets.

The increasing demand for our service has made us think long and hard about future plans. As well as taking on more staff, we needed more space, even more efficient and robust systems, and to look at more efficient ways of processing. We have responded quickly to these challenges. As a result, we have acquired a second building in Cardiff, which will also help the management of business continuity and disaster recovery and allow us to make major service improvements.

In driving forward the development of our electronic services, we are contributing to the government's key objectives for efficiency and e-delivery. In December 2003, we made the annual return available for electronic filing and we are now working on the electronic filing of accounts as part of a three-year programme to increase the availability and take-up of our online services. This is the real key to transforming the way we work and we will be working hard with our customers to achieve high levels of take-up. Our commitment is underlined in an ambitious new public target: to achieve 55% take-up of electronic services by 2006/07 from a base of 8% in 2004/05.



**Claire Clancy**  
Chief Executive and Registrar  
of Companies for England  
and Wales



**Professor Ian Percy** CBE LLD CA  
Independent Chairman  
Companies House Steering Board



As an Agency of the Department of Trade and Industry, Companies House supports the DTI's aim to achieve prosperity for all and, in particular, to provide an effective corporate framework for business and stakeholders. Our customers are, of course, at the heart of our business and we aim to give them the best possible service. Over the last year, our performance against criteria selected by customers has scored an average overall satisfaction rate of 85%, against a target of 80%. The satisfaction rate for our handling of complaints was also high, and we achieved our target for resolving complaints within five days.

Within Companies House we continue to offer our people great flexibility through our family-friendly policies, working patterns and equal opportunities. We do not forget that our staff are responsible for everything we have achieved this year and we thank them all for their hard work and for making Companies House such a great organisation.



“ I was very reassured when I had to register for a security code before I could start submitting my company information online ▶. And that wasn't all – another code for authentication was posted to me at the company address. It's really good to know that, whatever happens, our company information is safe on a secure system. Add to that all the other perks like the speed and convenience of the online service, and you can see why I won't be going back to paper anytime soon! ”



# secure



## Review of the year

### Public targets

Our public targets, outlined in our Business Plan 2003/04, are designed to improve our performance and service to customers while reducing unit costs. Although our workload increased by 8.4 % last year, we achieved or exceeded nine of the 11 targets. Despite our best efforts, we failed to meet targets for data capture accuracy and image quality. This year we are continuing to take steps to meet the demands of the growing register and feel confident that we can maintain and improve our performance.

### Customer service

- We have continued to respond to 100% of Chief Executive's cases within 10 days.
- We achieved our target of 97% for resolving complaints within five days.
- We achieved our target of 98% for web service availability.
- We achieved our target of 98% for Companies House Direct service availability.
- We exceeded the quarterly customer satisfaction target of greater than 80% and achieved 85%.

### Quality

- We failed to meet the data capture accuracy target of 96.5% and the outcome was 95.1%.
- We failed to meet the image quality target of 98% and the outcome was 97%.
- We have met the target to maintain, on average, a monthly compliance rate of 95% for accounts submitted.

### Throughput

This year saw an increase of almost 8.4% in the number of documents passing through the organisation. We processed 218,776 kg (219 tonnes) of mail.

# 85%

We exceeded our quarterly customer satisfaction target by 5%.

### Working with the private sector

We negotiated the extension of our mainframe bureau services contract with Hyder Business Services. This will ensure the continuity of our core IT systems through to the transition to the new Companies House Information Processing System (CHIPS) infrastructure.

The CHIPS project continues, and we have established a number of preferred private sector suppliers to provide us with suitably skilled IT contractors to facilitate the in-house IT development of the project.

Environmental principles continue to be a key factor in our dealings with the private sector. The Companies House procurement team has been on several visits with contract managers to gauge the environmental performance of our major suppliers. This process allows us to assess the steps our suppliers have taken to mitigate any environmental impacts of their activities. Those visited include our suppliers of IT equipment, call centre services and minor works and maintenance. There have also been follow-up visits to our stationery supplier to check on their progress since last year's review. Suppliers are receiving our environmental reviews very positively and are happy to share with us their progress and plans for the future.

Working with our 'online' supplier of stationery, Guilbert UK, we have set up schemes for the collection and recycling of print and fax toner cartridges.

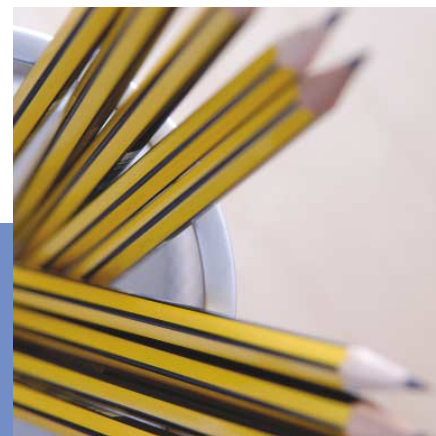
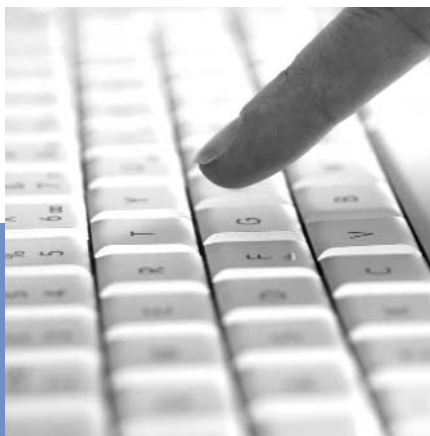
We have also worked with the private sector in commissioning scoping studies for both business continuity and electronic records management.

In a joint venture with our catering services contractor, our on-site restaurant facilities were fully refurbished last year, ensuring compliance with new health and safety legislation and addressing increased demand over the last 12 months.

We also use framework agreements from the Office of Government Commerce (OGC) to make the tender/procurement process more efficient for both suppliers and Companies House. This means business can be conducted on a standard set of terms and conditions that have been previously agreed with the OGC.

Orchid Telematics Ltd have continued to manage and develop our website and online services such as Companies House Direct and Information Centre systems.

Vertex Data Science Ltd manages our Cardiff-based contact centre, handling an average of 1.65 million telephone calls per year, as well as our e-mail enquiries, which totalled 145,000 last year. Orders for company information, statutory forms and guidance booklets are processed via our image-based ordering system, which enables us to offer our customers information in electronic as well as paper format.



# 65%



#### **E-Government**

The government, through the e-Government Unit (formerly Office of the e-Envoy), is working to transform electronic delivery of public services with the target of e-enabling all major services by the end of 2005.

Companies House is responsible for delivering two of the 30 key government services identified by the e-Envoy for e-enablement: the incorporation of companies and the filing of company accounts and annual returns. We have achieved the first target and with the introduction of the electronic annual return, we are well on the way to achieving the second.

Driving efficiency through e-services is a central element of the government's Efficiency Review (the 'Gershon' review) and Companies House will make a major contribution in this area. This is a real opportunity to transform the way we work and deliver services.

We want to be at the forefront of the government's electronic service delivery in terms of enablement and take-up. We have initiated a three-year programme for increasing the delivery and, more importantly, the take-up of our online services.

#### **Online filing services**

Electronic incorporations have continued to grow and by the year-end (2003/04) they accounted for 67% of our total incorporations. The number of incorporations increased by 19% compared to 2002/03.

Companies can now file their annual return online ► following the successful completion of the 'electronic-shuttle' project in December 2003. With this major addition to our online filing capability, our WebFiling service now caters for 65% of companies' filing needs including registered office address changes and appointments or resignations of directors and secretaries.

Over the next year, we will e-enable even more transaction types, including changes of name and changes to accounting reference dates. During this period we will also continue our development work for the online filing of accounts.

## Our WebFiling service now caters for 65% of companies' filing needs including registered office address changes and appointments or resignations of directors and secretaries.

### **Companies House Information Processing System (CHIPS)**

Work to build a new database for Companies House with a modern platform continues. The first two releases of the CHIPS programme have been to replace the tills infrastructure in our information centres and to introduce a document tracking facility in our postal services operation. Both went live successfully during the second half of 2003.

In light of the government's Efficiency Review, we have recently reviewed our approach and development of the CHIPS programme to ensure it fully supports the increased emphasis on electronic services. By the middle of 2005 we will be nearing completion of the development of large elements of the new systems that cover our 'core' processing activities. This essential platform will support our targets for the increased take-up of electronic services. In particular it will, through an initial implementation, enable us to manage statutory accounts data that has been filed electronically. During 2004/05 we also plan to provide all company data searches from the CHIPS system.

We concluded our contract with a software developer and established an in-house team that we will manage directly using mainly experienced staff on short-term contracts. Our IT department has been supporting the first release of the CHIPS systems for several months, which has meant that we have developed a whole new pool of skills and abilities. We are now finalising our detailed plans and costs to complete the remainder of the programme.

### **Online information**

Our website [▶](http://www.businesslink.gov.uk) was redesigned and launched at the Online 2003 exhibition in December. We have improved the content, navigation, visual effectiveness, usability and accessibility of the site. The website also focuses more on encouraging companies to file statutory documents electronically.

In May 2004 a new website, [www.businesslink.gov.uk](http://www.businesslink.gov.uk) [▶](#), was formally launched by the DTI. The site aims to make it easier for new and existing small to medium sized businesses to locate and understand the rules and regulations they need to comply with, and to find out what government support and services are available to help them. The site has been built collaboratively over 18 months by a number of government departments and agencies, including Companies House and the Small Business Service. It is based on extensive research to ensure it meets customer needs.

Usage of Companies House Direct [▶](#) has continued to rise with an increase of 15% over the last year.

In February 2004, we completed a major upgrade to the front-end application and infrastructure of Companies House Direct. This has provided a more robust and resilient system with more capacity to support the growth rates as forecast for the next three years. Response times have also been improved.

The capacity of our Document Image Storage System was substantially upgraded in January 2004 to provide extra storage for the next 18 months' input of new company documents. The database goes back to March 1995.

### **Electronic document and records management**

A project to set up an electronic document and records management system is underway. Much of the new system will meet our needs by the government's target date of the end of 2004. The software and services will be procured shortly. A programme of implementation will follow, first in a dedicated area prior to the full introduction of the system. Benefits will include better document management, easy-to-use storage and retrieval facilities and a reduced need for paper storage.

# 17 million

Our website now attracts over 17 million page impressions per month, making it one of the most popular UK Government websites.

## Accommodation

We identified an urgent need for more office space, due to:

- over-crowding in the Cardiff office with resulting pressure on services
- the need to appoint more staff to manage the growth of the company register
- the recruitment of additional specialists for the CHIPS programme
- the need for off-site disaster recovery arrangements
- government plans to relocate civil servants to the regions, which has led to requests for additional space from our tenants.

Once we had approval to acquire an additional site, we considered a number of options and finally settled on the Axys building at Nantgarw on a 15 year lease. A project team is now managing the fit-out and the relocation of staff to the new building.

## Marketing

We have continued to develop our electronic services and there have been some key milestones during the year:

- we now have over 11,000 Companies House Direct ▶ customers
- our website now attracts over 17 million page impressions per month, making it one of the most popular UK government sites
- we now satisfy approximately 3 million WebCheck ▶ searches per month
- we have redesigned the Companies House website and more 'documents' can now be filed over the web, including the annual return.

## Prices of products and pricing review

The general policy on pricing is that the prices for each broad class of product reflect the costs of providing them, and we must avoid cross-subsidisation between services. A pricing review is looking at our current pricing structures and will make final recommendations for future price levels. This will lead to a consolidated fees order.

## Benefits realisation

We have introduced a benefits realisation strategy to identify, manage and review the benefits delivered by projects and those arising from our business plans. The aim is to ensure that the benefits outlined in business cases tie in with our strategic objectives.

## POLICY

### Companies Bill

We have worked closely with the Companies Bill Team throughout the year, particularly on the functions and powers of the Registrar. We have also had extensive discussions on company names, in particular the issues of 'same as' and 'too like' company names and company names disclosure rules. This has included discussions with interested parties to test out the proposals on company names and disclosure requirements.

### Community Interest Companies

The Companies (Audit, Investigations and Community Enterprise) Bill, which implements the proposal for community interest companies, is currently making its way through Parliament. Working closely with the Bill team, we have commented on proposals and draft clauses

during the year. We have also started to prepare the systems specification that will enable us to work alongside the CIC Regulator and to deal with the aspects of community interest companies that differ from ordinary 'Companies Act' companies.

### European legislation

We have been working with the DTI to prepare for the introduction of the European Company Statute on 8 October 2004. This will introduce a new corporate vehicle, the European Company, which will be able to form in and transfer to any of the EU member states. Companies House will be the registration authority for the European Company in Great Britain and we are preparing our IT and operational systems to deal with this new vehicle.

### International relations

Companies House is a member of the European Commerce Registers Forum (ECRF) and we attended the 2003 conference in Seville, Spain. Following on from the conference, study visits were made to the Danish Company Registry, the Irish Republic Company Registry and the Greffes de Paris (the company registry for Paris). In turn, we hosted visits for colleagues from Estonia, the Netherlands, Nigeria, Sri Lanka, Northern Ireland, Republic of Ireland, Bahrain, Malaysia, Kuwait and Jersey.



" I was amazed at how quickly I could find out general details about any company through WebCheck ▶ – even when I didn't have a company's registration number. And when I ordered some company documents, they arrived in my download area within minutes."

*fast*





We aim to deliver high standards of service, for customers who supply information to us as well as those who use it.

This relates as much to the intrinsic quality of the public record as it does to our processes for handling the information and dealing with those who must, or choose to, deal with us.

Ministers set public targets to ensure that our customers can expect increasing levels of performance and service from us each year. We use regular feedback from our customers to help us improve our services.

Users of Companies House information do not necessarily get the information directly from us. In some cases, they use an intermediary who often adds value to the product in some way. For example, the intermediary may combine the data with county court judgements and make an assessment of the financial status of a company. The majority of search requests are made by this type of value-added supplier.

### **Charter Standard Statement and Enforcement Concordat**

Customers can expect the following standards of service from us:

#### **Being accountable for what we do, by:**

- setting standards and publishing how well we do against them

#### **Providing an efficient service, which includes:**

- supplying up-to-date information promptly and accurately
- keeping to a minimum the costs to business of complying with the law
- keeping down our costs and therefore our charges
- exploring new ways of doing those things that make it easier for our customers to send and receive information

#### **Helping our customers, by:**

- providing guidance and forms that are easy to understand
- providing a telephone enquiry service
- consulting with them
- being courteous and treating everyone fairly and impartially
- working with other providers of public services, such as the Insolvency Service

#### **Providing an effective complaints system, which:**

- is easily accessible and well publicised
- is simple to understand and use
- is speedy and keeps complainants informed
- is fair, with full and objective investigation procedures
- effectively addresses all the points at issue and provides appropriate redress
- provides information to management so that services can be improved
- provides and publicises alternative avenues if customers remain dissatisfied

#### **Independent complaints adjudicator**

If customers are unhappy with the way we have dealt with a problem, they can contact our complaints adjudicator who acts as an impartial referee between Companies House and our customers. He will keep customers fully informed about progress and will try to settle the complaint as quickly as possible. Each year the complaints adjudicator produces and publishes an annual report, which appears in our customer magazine, the Register, in the summer and on the Companies House website.

#### **However, he cannot comment on:**

- questions about company law
- complaints that have been or are being investigated by the Ombudsman
- any cases involving criminal proceedings
- cases involving the exercise of discretion by the Secretary of State

His address is:

The Companies House Complaints Adjudicator  
PO Box 2  
Fakenham  
Norfolk  
NR21 0RJ

#### **Customer satisfaction index**

To help us maintain our standards and highlight areas for improvement, we use an index of customer satisfaction. We measure our performance against the following criteria, selected by our customers:

- quality and accuracy of information supplied
- quality and accuracy of information on the register
- speed of turnaround
- responsiveness to problems
- filing of documents
- cost/prices
- staff knowledge
- staff attitude
- accessibility

Our questionnaire has been redesigned and we have expanded on the number and type of customers taking part. The results of quarterly surveys are published in the Register and are also available on our website.



Included with our questionnaire is an action plan that highlights how we intend to address customer concerns. Customers have responded well and results have shown that all aspects of our service have remained constant or have improved.

#### **Meeting customers**

Our customer care team is a single point of contact for our regular customers.

Meetings with user groups have been taking place since 1974 and these have been replaced by focus groups since May 2000. There are now 16 groups that meet across the country. The meetings give customers the chance to raise any issues or concerns they may have regarding the quality of our information and service. They also give us the feedback we need to take our quality initiatives and development projects forward.

The Electronic Focus Group meets approximately every 6 months, or more often if there are any significant changes or service issues to discuss. To date, the focus has been on the electronic incorporation service that currently makes up over 67% of our daily incorporations. The group has now been expanded to discuss wider issues as we extend our e-services.

#### **Customer awareness**

Through guidance booklets, our website, direct mail and printed media advertising, we aim to increase compliance by educating customers.

To supplement customer visits, we hold seminars that give customers the opportunity to meet and exchange views with managers from Companies House. We held 12 seminars for newly appointed directors and secretaries in Cardiff and five in Edinburgh. We also held six early evening seminars at venues around the country and were present at seven exhibitions.

#### **Welsh language service**

We offer a language service to those companies that prefer to deal with us in Welsh. A Welsh language speaker within the customer service area co-ordinates and advises on our Welsh language policy and services.

#### **Staff training**

All new staff at Companies House attend an induction course, which includes customer service awareness training, and are given a copy of our customer service guidelines. Information from our customer satisfaction evaluation is used on our training courses to give staff a clear understanding of customer needs and perceptions as well as techniques for communication.



# Future strategy and targets

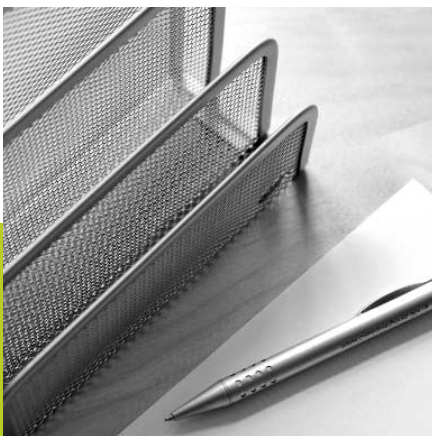
Our vision is to excel as a registration authority and source of public information, for the benefit of the British economy.

## Priorities for the year

- To deliver our core business of efficient and effective company registration while absorbing the effect of unprecedented levels of company incorporation.
- To integrate our plans for e-delivery through CHIPS and electronic record management to ensure a single, visionary strategy for modernising our business and driving the take-up of e-services.
- To make our e-services more accessible and to encourage take-up of these services, assisted by a programme to improve our online service.
- To build on the pricing review to deliver a pricing policy that supports our long-term aim of providing free electronic information.
- To establish a new organisational structure that puts us in a stronger position to meet the challenges of the next few years.
- To manage the move to an additional building that will allow us to accommodate existing and new staff, improve our disaster recovery facilities, and assist in government moves to decentralise the civil service.


## Customer-focused priorities

- To undertake a mystery shopping exercise that expands on contact areas to ensure our services meet customers' expectations.
- To e-enable new transaction types over the next year, including changes of name and changes to accounting reference dates.
- To expand the customer satisfaction survey into more specific areas of customer service uses and channels.
- To improve customer complaint reporting and quality reporting by increasing resources in the customer services management team.
- To develop staff's understanding of customer service across the organisation to ensure we deliver excellent and expert customer service across the board.
- To develop a proactive customer complaints handling process, which will be helped by our continuing involvement in the Public Sector Benchmarking service and Best Practice/Quality Networks. We will also re-apply for Charter Mark.
- To communicate developments on new companies' legislation to staff and customers using a simple, integrated approach.
- To re-examine our current customer segmentation in light of the Vision and Strategy (2003); to look into the requirements of our CHD database; and to research our customers' needs by product and/or groupings to benchmark and determine the benefits they are looking for.



- To establish a benchmark and develop a programme to improve and monitor awareness levels. We will also develop an integrated strategy for managing our customer relationships.
- To produce four issues of the Register magazine as part of our communication to our customers.

#### Future targets

To reflect how important it is to encourage the e-filing of documents , we have introduced a new target for e-filing that will start at 15% by the end of 2004/05. By the end of 2005/06, we will increase the target to 35% and then to 55% by the end of 2006/07.



There will be a new target for the speed at which images are available after scanning. The compliance target will include annual returns, and the existing target of 80% satisfaction in each quarterly customer satisfaction survey is being increased to 82%.

#### PUBLIC TARGETS FOR 2004/05

##### A fully electronic operation

- To achieve a 15% take-up for electronic submission of documents<sup>1</sup> by the end of 2004/05, 35% by the end of 2005/06 and 55% by the end of 2006/07.

##### Readily and freely accessible information

- To ensure that products and services on Companies House Direct  and WebCheck  are available for 98% of the time between the core hours of 7am and 8pm, Monday to Friday.
- To ensure that the web filing service is available to customers for 98% of the time between the core hours of 7am and 8pm, Monday to Friday.

##### An efficient, reliable and up to date registry

- To achieve, on average, a 92% monthly compliance rate for accounts and annual returns submitted.
- To ensure that 96.5% of all forms submitted are captured error-free.
- To ensure that 98% of images on our image system are legible.
- To make at least 99% of scanned images to be placed on the image system available within three days.
- To maintain a unit cost reduction of 3% in real terms on document registration.

- To achieve a 3.5% average rate of return, taking one year with another, based on the operating surplus expressed as a percentage of average net assets.
- To pay all bills within 30 days, or on other agreed credit terms, on receipt of goods or services or a valid invoice, whichever is later.

##### Customers who are highly satisfied with our services

- To resolve 97% of complaints within five days.
- To score more than 82% in each quarterly Companies House Customer Satisfaction Survey.
- Our Chief Executive is to reply within 10 days to all letters from Members of Parliament delegated to her for reply.

<sup>1</sup> A document is an individual transaction that a company can make with Companies House to submit or register information.

As part of our goal to have a fully electronic operation, we've set new targets for the take-up of our electronic services.

# Governance

Companies House is an Executive Agency with our own board of directors, led by our Chief Executive. The board manages the day to day running of the business as well as developing our long term strategy and making sure that excellent service to our customers remains at the heart of everything we do.

In addition, the board is supported, advised and challenged by a Steering Board. The Steering Board is led by an independent chairman and includes senior DTI personnel and independent members with a wealth of private sector experience. The Steering Board meets quarterly to advise on the governance of the Agency, in particular our corporate plan, targets, performance and an annual Awayday to develop its strategic direction. Its makeup reflects our aim of drawing on best practice from the public and private sectors. Members play a vital role in our strategic planning process, and in making sure that our strategic priorities drive our plans for delivery.



**Jack Mansfield**  
Finance Director



**Lynn Lynch**  
Marketing Director



**Eileen Heasman**  
Human Resources  
Director

**Claire Clancy**  
Chief Executive and Registrar  
of Companies for England  
and Wales

### The Audit Committee

The Audit Committee consists of independent members Mike Hathorn, Elaine Brant, Claire Clancy (Chief Executive) and Peter Mason (DTI-FRM). The National Audit Office and DTI's internal audit service also attend. Elaine Brant left the Audit Committee in December 2003 and was replaced by Nigel Paul.

### Accountability framework

The Chief Executive is accountable to the Secretary of State for the day-to-day running of Companies House. She is appointed by HM Treasury as accounting officer for the trading fund with responsibility for the propriety and regularity of its finances. Overall relationships are governed by the Companies House Framework Document and related policy statements. Financial relationships, including audit and internal control, are covered in more detail in the foreword to the annual accounts.

### Changes to the Steering Board

Elaine Brant left the Steering Board in December 2003. Her contribution was much appreciated. We are pleased to welcome Dan Bernard, who will be joining as an external member in May 2004.

### Meeting dates 2003/04

Audit Committee meetings:  
18 May 2003, 4 October, 1 December and 23 February 2004

Steering Board meetings:  
19 May 2003, 5 October, 2 December and 23 February 2004



**Mark Pacey**  
Development  
Director



**Helen Thewlis**  
Policy and Planning  
Director



**Jeanne Spinks**  
Operations  
Director



**Professor Ian Percy** CBE LLD CA  
Independent Chairman  
Companies House Steering Board



**Catherine Bell**  
Steering Board  
DTI Member



**David Wilbraham**  
Steering Board  
External Member



**Mike Hathorn**  
Steering Board  
External Member



**Nigel Paul**  
Steering Board  
External Member



**Peter Mason**  
Steering Board  
DTI Member

**Elaine Brant**  
Steering Board  
External Member



**Claire Clancy**  
**Chief Executive and Registrar of Companies for England and Wales**

Claire joined Companies House in 2002 from another DTI Executive Agency, the Patent Office, where she was director of corporate services. She spent her earlier career in a variety of public sector posts including Chief Executive of a Training and Enterprise Council (TEC) and a spell as the Director of Policy and Planning here at Companies House.

**Jack Mansfield**  
**Finance Director**

Jack, a chartered accountant, gained his experience in a range of senior financial posts in the manufacturing sector. He joined Companies House in 1993 and became Finance Director in 1997.

**Lynn Lynch**  
**Marketing Director**

Lynn joined Companies House in 2000, having worked in marketing in a variety of different roles in both the private and public sector. Her experience includes the global marketing of capital equipment, media analysis, tourism marketing and charity fundraising. She is a member of the Chartered Institute of Marketing.

**Eileen Heasman**  
**Human Resources Director**

Eileen joined Companies House in 2001 with extensive experience in human resources management in both the public and private sector, including in manufacturing in the electronics industry and, more recently, in public services. She is a fellow of the Chartered Institute of Personnel and Development.

**Mark Pacey**  
**Development Director**

Mark joined Companies House in 1998 to head our marketing and product development before taking on his current position, managing IT, two years later. Much of his role is focused on developing our new internet services. His previous experience covers a variety of corporate development and marketing roles in manufacturing industry.

**Helen Thewlis**  
**Policy and Planning Director**

Helen joined Companies House in 2002 from the Patent Office, where she was responsible for personnel and pay policy. A former science teacher, she joined the Civil Service in 1990 and has since occupied a variety of operational, corporate and policy posts both in the Patent Office and on secondment to the former Welsh Office.

**Jeanne Spinks**  
**Operations Director**

Jeanne joined Companies House in 1998 on secondment from the Department for Education and Employment (now the DfES), where she worked in a range of policy and operational roles. Most of these roles were concerned with the introduction of significant new employment programmes and policies and the adapting of processes to new environments.

**Professor Ian Percy CBE LL D CA**  
**Independent Chairman – Companies House Steering Board**

Ian is the first Independent Chairman of the Companies House Steering Board, and the first within the DTI to be appointed in this role. He brings with him a wealth of experience gained over many successful years in the accountancy profession. His other appointments include Chairman of Kiln plc, Senior non-executive Director of the Weir Group plc and Ricardo plc and directorships of a number of other companies. He is also a member of the Legal Aid Board for Scotland.

Ian was a member of the Treasury and DTI Co-ordinating Committee on Accounting and Auditing issues, which reported in January 2003. He is a past president of the Institute of Chartered Accountants of Scotland, represented the UK on the International Auditing Practices Committee 1995-2000 and was chairman of the Accounts Commission and Audit Scotland until 2000. He was awarded the CBE for services to the accountancy profession and local government in 1996. He is an honorary professor of accounting at Aberdeen University.

**Elaine Brant**  
**Steering Board External Member**

Elaine is a fellow of the Chartered Institute of Management Accountants, an independent management consultant in the public and private sector, and a director of three small companies. She has worked with Cabinet Office and Treasury on the introduction of Executive Agencies and Trading Funds. Her career has also included seven years with KPMG and experience in the commercial sector. Elaine left the Steering Board in December 2003.

**Catherine Bell**  
**Steering Board DTI Member**

Catherine is the DTI's Director General responsible for the Services Group. She has been Head of the Competition Policy Directorate, the Utilities Review Team and the Central Policy Unit at the DTI. She is also a non-executive director of Swiss Re UK.

**David Wilbraham**  
**Steering Board External Member**

David was appointed to the board in 2001. He is Chairman of Akers Biosciences Inc and non-executive director of St. Ives plc, RPC Group plc and a number of private limited companies. He is a trustee of the City & Guilds of London Institute and a Governor of Imperial College, London. David worked for ICI for 29 years and was the Chief Executive of Hickson International plc, a multinational chemical company.

**Mike Hathorn**  
**Steering Board External Member**

Mike is a partner in Moore Stephens London (chartered accountants) and is the firm's senior public sector specialist partner. He is Chairman of the Audit Committee. He is non-executive director of a number of companies including Chairman of Baillie Gifford Shin Nippon plc. Mike is also Senior Vice President of the Institute of Chartered Accountants of Scotland, a member of the Accounting Standards Board, Public and Not-for-Profit Sector Committee and the UK representative and Vice Chair of IFAC public sector committee.

**Nigel Paul**  
**Steering Board External Member**

Nigel was appointed to the Steering Board in 2002. He is Director of Corporate Services at the University of Edinburgh, where he is responsible for a range of operational and commercial activities. He also chairs the board of its commercialisation subsidiary and is a director of the Edinburgh University Press. Nigel, a chartered accountant, worked for ICI for 22 years – latterly as Finance, IT and Planning Director for one of its major international heavy chemical divisions. He also periodically works with the Leadership Trust in support of their leadership training.

**Peter Mason**  
**Steering Board DTI Member**

Peter is the DTI's Director of Finance Policy and Support. Since joining the DTI in 1973, he has dealt with the management of the DTI's liabilities following the privatisation of the UK coal industry, as well as with consumer policy and legislation, management of best practice awareness campaigns, and financial services regulation, among other responsibilities. Peter has been Assistant Director of Competition Policy at the Office of Fair Trading and a non-executive director of Rugby Joinery (UK) Ltd. Most recently, he was a trustee of both the Mineworkers' Pension Scheme and the British Coal Staff Superannuation Scheme.



Companies House first achieved Investor in People accreditation in February 1999 with our fourth re-accreditation due in May 2004.



During the year our significant development programmes have included:

- identifying a new management leadership development programme for our middle and senior managers
- extending our well-established training programme for new managers. Our five-day 'Successful Skills' course has now been accredited by the Institute of Leadership and Management
- providing training in a broad range of technically related subjects, which has contributed to improved quality standards in document examination and processing
- continuing to support and assist staff who want to increase their expertise through further qualifications.

#### **Corporate social responsibility**

As part of our commitment to the wider community, we continue to take part in secondary school career days and career lessons. We provide work placement for young people in secondary schools to re-engage 15-16 year olds who are capable of real achievement if offered a different pathway to the traditional academic route. We participate in the 'Realise Project', which gives young people who have difficulties at school the chance to gain work experience in exchange for improved school attendance. We also give surplus equipment to schools in the area, while some of our staff help out with reading at local schools and others mentor secondary school students.

We have continued to make environmental improvements and are currently on target to meet the standards set for 2003/04. Since we achieved the internationally recognised Standard for Environmental Management, ISO 14001, we have been re-assessed by BSI and continued certification has been confirmed. We are focusing especially on the environmentally sound procurement of goods and service.

We make our parking facilities available to the congregations of local churches. At various times of the year we also operate a 'park and ride' alongside Cardiff City Council with proceeds going to local charities.

**In 2003/04 Companies House advertised 256 posts (excluding casual contracts).**

Gender	Applied	Invited to interview	Appointed
Male	889	258	71
Female	516	184	44
Not stated	5	0	0
<b>Total</b>	<b>1410</b>	<b>442</b>	<b>115</b>
<b>Disability</b>			
Disabled	13	8	1
Non-disabled	1370	427	114
Not stated	27	7	0
<b>Total</b>	<b>1410</b>	<b>442</b>	<b>115</b>
<b>Ethnic origin</b>			
Asian	34	9	3
Black	32	9	1
Chinese	3	0	0
Mixed ethnic	13	2	0
White	655	244	77
Any other	5	2	1
Not stated	668	176	33
<b>Total</b>	<b>1410</b>	<b>442</b>	<b>115</b>

**Equal opportunities**

We are fully committed to ensuring that fair opportunities are available to everyone throughout Companies House.

We want to build and retain a diverse workforce, which will help us to understand and reflect the views of our customers and the community around us.

Work continues on our race equality scheme to ensure that our policies and procedures are fair to all. We also place great importance on the attending and running of relevant courses to ensure that all staff fully understand their responsibilities.

We offer staff a complete range of flexible working patterns to help them strike the right work/life balance.

We take part in the School Links programme, which involves giving students a taste of industry and introducing them to our recruitment and selection process. We have also attended a number of enterprise days where we offer students support and guidance.

**Staff welfare**

Companies House is dedicated to providing a supportive working environment. The staff counselling team works closely with the HR advisory team and Health and Safety for a holistic approach to the health and welfare of everyone who works for Companies House. As part of our smoke-free office policy, we offer 'Giving up Smoking' courses to support staff who are keen to give up.

**Health and safety**

We promote safety as well as safe attitudes and behaviour throughout Companies House. In line with statutory obligations, we make sure the working environment is safe for staff and visitors. Relevant health and safety training is given as and when required.

Our accident reporting and investigation procedures meet our statutory obligations. The number of accidents and incidents reported for this financial year is the same as last year, with 58 entries in the accident/incident report book held in Cardiff and no accidents reported from any of our other sites. This represents a 3.3% accident rate, a drop of 0.5% on last year's figures. Five of the accidents/incidents resulted in three or more days' loss of attendance and were therefore reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR).

**Recruitment**

We have policies and procedures to ensure that recruitment is carried out on the basis of fair and open competition. Candidates are selected on merit in line with the guidance of the Civil Service Commissioners. All procedures are subject to internal and external audits and we are required to publish statistics on the year's recruitment.

“It’s been a pleasure submitting my Companies House forms online ▶ – no more time-consuming paperwork or having to rely on the postal service to meet the deadlines. Plus, with the service being available till midnight, even on Saturdays, I can get it all done from home if I need to. The phone service is just as handy: I had a question the other day and they sorted me out straight away.”





convenient



# Public Targets

These are the targets recommended by the Steering Board for 2003-2004 and approved by Ministers as the formal, public, targets for the year.

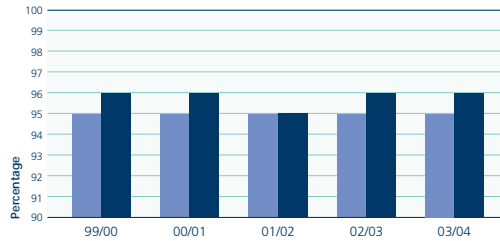
## Target

## Historical Performance

## Out-turn 2003/2004

### Efficiency

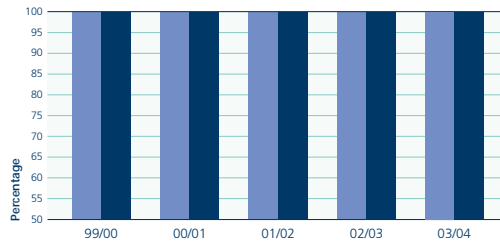
To achieve, on average, a monthly compliance rate for Accounts submitted of 95%



96%

### Efficiency

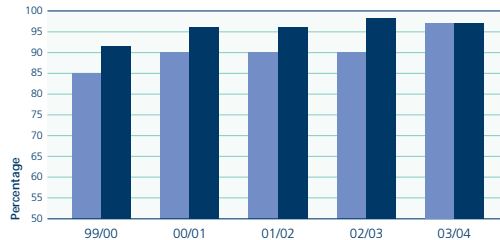
The Chief Executive to reply to all letters from Members of Parliament delegated to her for reply within 10 working days



100%

### Efficiency

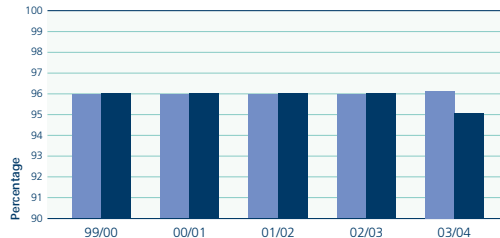
To clear 97% of complaints within 5 working days



97%

### Quality

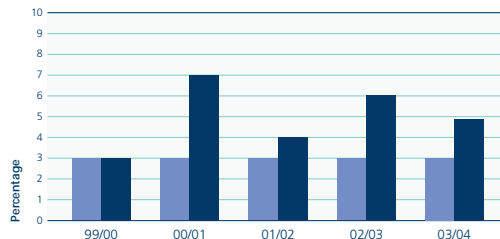
To ensure that 96.5% of forms are captured error-free



95.1%

### Financial

To reduce the real unit costs of registration activity by 3% compared to the out-turn in 2002/2003



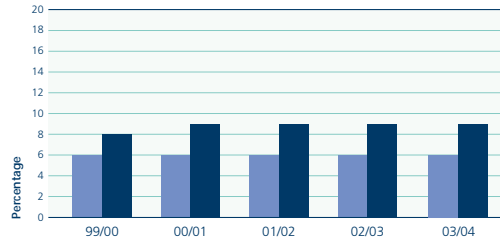
4.9%

**Target**

### Financial

To achieve, taking one year with another, a 6% cumulative average annual rate of return based on the operating surplus expressed as a percentage of average net assets

**Historical Performance**

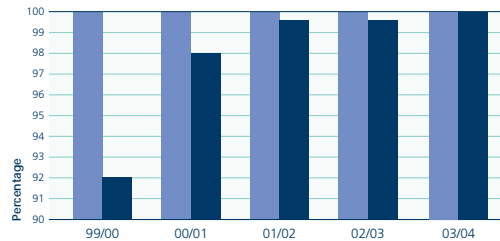


**Out-turn 2003/2004**

**9%**  
(cumulative since Trading Fund)

### Financial

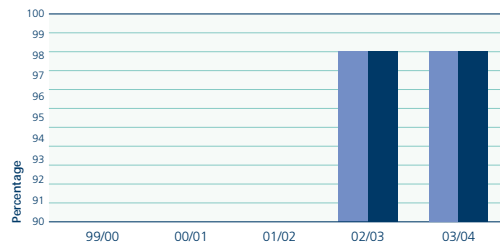
To pay all invoices within 30 days or other agreed terms



**100%**

### Web Service availability

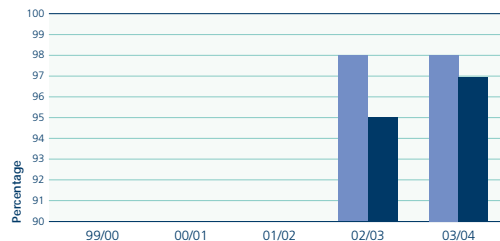
98% product and service availability on website (7am to 8pm Monday to Friday)



**98%**

### Image quality

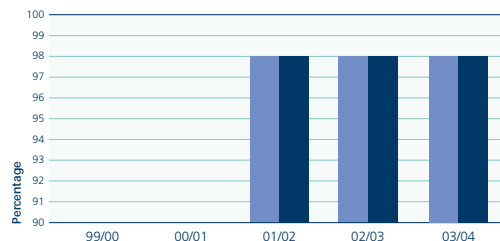
98% image quality of all images placed on the image system



**97%**

### Service availability on CH Direct

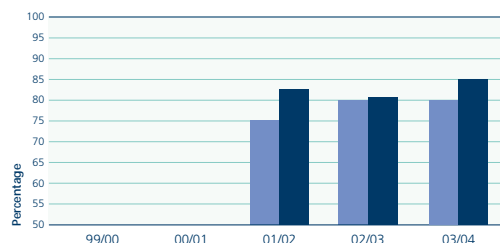
98% of all products and services to be made available on CH Direct



**98%**

### Customer satisfaction

Customer satisfaction survey results to exceed 80%



**85%**

## Key statistics

Companies House's efficiency is measured by a series of workload indicators. These compare the amount of work performed with the resources used to carry it out.

### Registration activity

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
Workload index	119	124	132	136	148	160
Active Register (annual average, '000)	1233	1319	1406	1464	1555	1752
Incorporations ('000)	218	225	236	225	322	394
Changes of name ('000)	55	61	64	59	60	63
Removals from the Register (net of restorations, '000)	119	134	155	163	180	182
Statutory documents filed ('000) (excludes incorporations and changes of name)	5015	5262	5638	5778	6179	6779

### Company searches

#### Image ('000s) – Company equivalent

Posted	–	4	3	2	3	3
Fax	–	8	8	8	8	6
Online view	–	69	97	113	132	153
E-mail	–	397	677	864	1098	1252
Monitor	–	23	25	27	28	28
CHD Packages	–	7	23	52	87	123
CHIC docs	–	59	61	49	56	47
CHIC packages	–	1	1	1	1	1
WebCheck	–	–	96	299	411	521
Scan on Demand	–	–	–	5	61	147
<b>Total</b>	–	<b>569</b>	<b>995</b>	<b>1475</b>	<b>1952</b>	<b>2280</b>
<b>Image ('000) – Individual images</b>	–	<b>847</b>	<b>1556</b>	<b>2179</b>	<b>2864</b>	<b>3340</b>

#### Fiche based ('000)

Counter	716	313	153	95	26	6
Certs & Copies	21	20	13	11	20	19
CH Direct	583	457	339	210	91	30
Postal	148	114	90	66	28	7
Fax	70	57	47	32	12	2
<b>Total</b>	<b>1538</b>	<b>962</b>	<b>641</b>	<b>413</b>	<b>177</b>	<b>65</b>

### Manpower

Average full-time equivalents (permanent / fixed term)	845	832	860	1000	995	1078
Casual & agency staff	89	143	117	36	50	23
<b>Total staff</b>	<b>934</b>	<b>975</b>	<b>977</b>	<b>1036</b>	<b>1045</b>	<b>1101</b>

### Performance statistics

	Targets		Out-turn		Targets		Out-turn		Targets		Out-turn		Targets		Out-turn		Targets		Out-turn	
Compliance rate – Accounts	95%	<b>96%</b>	95%	<b>96%</b>	95%	<b>96%</b>	95%	<b>95%</b>	95%	<b>96%</b>	95%	<b>96%</b>	95%	<b>96%</b>						
Document processing time (average days)	5	<b>4</b>	5	<b>4</b>	5	<b>4</b>	5	<b>4</b>	5	<b>4</b>	5	<b>5</b>								
Incorporation of new companies (average days)	5	<b>5</b>	5	<b>4</b>	5	<b>4</b>	5	<b>4</b>	5	<b>4</b>	5	<b>3</b>								
Image quality	–	–	–	–	–	–	–	–	98%	<b>95%</b>	98%	<b>97%</b>								
Data capture quality	95%	<b>97%</b>	96%	<b>96%</b>	96%	<b>96%</b>	96%	<b>96%</b>	96%	<b>96%</b>	96.5%	<b>95.1%</b>								
Real unit cost index	100	<b>97</b>	94	<b>94</b>	91	<b>88</b>	85	<b>84</b>	81	<b>79</b>	77	<b>75</b>								

Key ministerial targets for 2004/2005      Targets out-turns & achievements      Targets for 2004/2005

2000/01      2001/02      2002/03      2003/04

## A fully electronic operation

Take-up for electronic submission of documents by end 04/05      15%

## Efficiency and reliability

	Targets	Out-turn	Targets	Out-turn	Targets	Out-turn	Targets	Out-turn	
Accounts compliance	95%	<b>96%</b>	95%	<b>95%</b>	95%	<b>96%</b>	95%	<b>96%</b>	n/a
<i>Compliance Rate Accounts &amp; Returns:</i>									92%
Data capture accuracy	96%	<b>96%</b>	96%	<b>96%</b>	96%	<b>96%</b>	96.5%	<b>95.1%</b>	96.5%
Image quality - legibility and completeness	-	-	-	-	98%	<b>95%</b>	98%	<b>97%</b>	98%
Image availability - on system in 3 days									99%

## Readily and freely accessible information

	Targets	Out-turn	Targets	Out-turn	Targets	Out-turn	Targets	Out-turn	
CHD availability	-	-	98%	<b>98%</b>	98%	<b>98%</b>	98%	<b>98%</b>	n/a
Web service availability	-	-	-	-	98%	<b>97%</b>	98%	<b>98%</b>	n/a
WebFiling service availability (7.00am - 8.00pm)									98%
WebCheck and CH Direct availability (7.00am - 8.00pm)									98%

## Customer service

	Targets	Out-turn	Targets	Out-turn	Targets	Out-turn	Targets	Out-turn	
Reply to Chief Executive's Cases within 10 days	100%	<b>100%</b>	100%	<b>100%</b>	100%	<b>100%</b>	100%	<b>100%</b>	100%
Respond to complaints within 5 days	90%	<b>96%</b>	90%	<b>96%</b>	90%	<b>98%</b>	97%	<b>97%</b>	97%
Customer satisfaction	-	-	75%	<b>82%</b>	>80%	<b>81%</b>	>80%	<b>85%</b>	more than 82%

## Financial

	Targets	Out-turn	Targets	Out-turn	Targets	Out-turn	Targets	Out-turn	
Unit cost reduction on document registration	3%	<b>7%</b>	3%	<b>4%</b>	3%	<b>6%</b>	3%	<b>4.9%</b>	3%
Rate of return as percentage of net assets employed, expressed as an average taking one year with another	6%	<b>9%</b>	6%	<b>9%</b>	6% av.	<b>9%</b>	6% av.	<b>9%</b>	3.5%
Payment of Bills	100%	<b>98.0%</b>	100%	<b>99.6%</b>	100%	<b>99.6%</b>	100%	<b>100%</b>	100%

accounts





Government Trading Funds Act 1973

**Companies House Accounts 2004**

The accounts for Companies House for the period 1 April 2003 to 31 March 2004, together with the report of the Comptroller and Auditor General thereon, prepared pursuant to Section 4(6) of the Government Trading Funds Act 1973, as amended by the Government Trading Act 1990.

In continuation of House of Commons Paper No. HC717, Parliamentary Session 2003/2004

Presented pursuant to Government Trading Funds Act 1973, c.63, s4(6)

Ordered by the House of Commons to be printed 21 July 2004

Crown Copyright: 2004

# Foreword to Accounts

The attached accounts have been prepared in accordance with a direction by the Treasury in pursuance of section 4(6) of the Government Trading Funds Act 1973.

They are accompanied by the Comptroller and Auditor General's Report.

## History

Companies House became an Executive Agency on 3 October 1988 as part of the Government's Next Steps initiative. The Agency subsequently took on a range of delegated powers from the DTI, relating to finance, personnel and support services.

It commenced operating as a Trading Fund on 1st October 1991.

This has provided a financial framework outside Vote finance, covering all operating costs and receipts, capital expenditure, borrowing and the Fund's net cash flow. It provides greater flexibility and greater delegated responsibility.

## Statutory Background

Major UK legislation under which the agency operates includes the accounting requirements of the Companies Acts.

## Principal Activities

Companies House has two main areas of activity:

- information registration, including the incorporation and striking off of companies and maintaining a register of the documents delivered under companies, insolvency and related legislation;
- information provision to the public on companies, for which purpose we enforce compliance with the statutory requirements on registered companies. This is available to customers in a variety of formats.

Companies House continues to develop its business along quasi-commercial lines within the framework agreed by Ministers and Treasury Guidelines. There is a continuing emphasis on improving the quality and efficiency with which it delivers its services and on achieving demanding financial and performance targets set by Ministers. Companies House is responsible for delivering two of the 'key' government services identified by the e-envoy for e-enablement: Company Incorporation and filing of Company Accounts and Annual Returns. This provides an opportunity to provide a higher level service and customer choice through the adoption of E-Government and the use of more modern technology and work practices. The Government's Efficiency Review (the "Gershon" review) has been adapted to take account of our existing strategy to improve efficiency through e-services.

## Results and Appropriations

The operating surplus on ordinary activities was £4.8m (2002/03: £6.0m). After charging interest payable of £138k (2002/03: £186k) and declaring dividends payable of £2.6m (2002/03: £1m) a net surplus for the year of £2.1m remained and was added to retained surplus which at 31 March 2004 was £22.9m.

## Business Review

Income from registration activities rose as a consequence of the high levels of company incorporations and the increasing size of the active register. Expenditure on additional staff and overheads to support the resultant additional workload was also higher. However, real unit costs of processing activity were reduced by 4.9% from the 2002/03 base year (compared with a target of 3%). The method of calculation is provided in Note 22(b) to the accounts.

Since the year-end a lease has been agreed for 4,200 m<sup>2</sup> of additional working space in a new building close to the Cardiff headquarters. Staff affected by the move will relocate during the autumn 2004 in order to manage more efficiently our expanding workload and improve the resilience of services.

The financial results for the year reflect continuing development of the CHIPS project for replacement of the core information processing systems of Companies House. During 2003/04, £6m of new capital expenditure was directly attributable to the project making a cumulative project spend to date of £15.7m. The first operational release of CHIPS went live in December 2003 and this gave rise to a specific in-year depreciation charge of £810k.

During the year the decision was made to revert to in-house development for the remainder of the CHIPS programme, and the contract with the supplier for the development of CHIPS was concluded. All associated costs have been accrued in these accounts. Companies House is confident that this change will enable completion of the full project within the overall budget approved by HM Treasury and planned time-scale of the end of 2006.

Since the end of March 2003, cash balances have reduced by £2.3m because the cash inflow from operations net of dividends and servicing of finance (£4.5m) was exceeded by capital expenditure payments of £6.8m. The cash balances remaining as at 31 March 2004 were £13.2m (31 March 2003: £15.5m) In future years we anticipate our cash reserves will reduce significantly as a result of ongoing commitments to capital expenditure programmes for the modernisation of Companies House, particularly e-transformation.

**Value of Land and Buildings**

On 31 March 2004 Messrs DTZ Debenham Thorpe revalued the land and buildings. The valuation of £20m, which was £3m higher than the 31 March 2003 position, has been incorporated into these accounts.

**Other Fixed Assets**

Relevant price indices were applied to other fixed assets. A revaluation loss was taken to the operating account.

**Audit Service**

The statutory external audit was performed by the Comptroller and Auditor General at a cost of £27k for the 2003/04 reporting period.

**Return on Net Assets Employed**

The operating surplus for the year represents a 11% return on the net assets employed. The cumulative average rate of return since Companies House became a trading fund in October 1991 remains at 9% compared to the target of 6%. The method of calculation is provided in Note 22(a) to the accounts.

**Payment Policy**

It is Companies House policy to pay all invoices not in dispute within 30 days or the agreed contracted terms if otherwise specified. The out-turn (as reported in Note 20) was 100% (2002/03: 99.6%).

**Political and Charitable Gifts**

No political or charitable gifts were made during the year.

**Employee Issues**

Companies House is required to comment in the annual accounts on a number of issues relating to employees. The involvement of our employees is seen as a key element in the success of the organisation. Regular cascade briefings, a staff magazine, newsletters and a range of ad hoc briefings and plenary meetings are all aimed at aiding communication and commitment.

Companies House is committed to a policy of equal opportunities. We employ an Equal Opportunities Adviser whose responsibilities include assisting the career development of disabled staff. Disability is not regarded as a bar to recruitment or advancement. Selection is based upon the individual's ability to do the job.

Companies House is committed to the promotion of a safety culture throughout the organisation and of safe attitudes. A safe environment is provided for staff and visitors in line with its statutory obligations. New members of staff are given basic induction training in Health and Safety issues. During the year specialised training on safe manual handling, safe use of VDU equipment and safe handling of chemicals was given once staff had taken up their post. Risk assessments were carried out in accordance with the Management of Health and Safety at Work Regulations. Accident reporting and investigation procedures have been reviewed in accordance with the Woolf reform. Health and Safety procedures are under review to reflect the updating of legislation.

**Companies House Board**

At 31 March 2004 the Executive Directors of the Agency were:

Claire Clancy	Chief Executive and Registrar of Companies for England and Wales
Eileen Heasman	Human Resources Director
Lynn Lynch	Marketing Director
Jack Mansfield	Finance Director
Mark Pacey	Development Director
Jeanne Spinks	Operations Director
Helen Thewlis	Policy and Planning Director

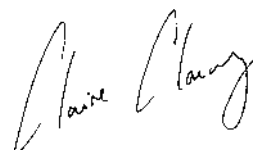
**Steering Board**

In addition to the Chief Executive, at 31 March 2004 the Steering Board members were:

Catherine Bell	DTI member
Peter Mason	DTI member
Ian Percy	Independent chair
Nigel Paul	External member
Mike Hathorn	External member
David Wilbraham	External member

The following also served as Steering Board members during the year under review:

Elaine Brant	Independent member (resigned December 2003)
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Claire Clancy  
Chief Executive and  
Registrar of Companies House  
30 June 2004

# Statement of Companies House's and the Accounting Officer's Responsibilities

Under section 4(6) of the Government Trading Funds Act 1973 the Treasury has directed Companies House to prepare a statement of accounts for each financial year in the form and on the basis set out in the accounts direction. 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 and cash flows for the financial year.

In preparing the accounts the Agency is required 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 have been followed, and disclose and explain any material departures in the financial statements;
- 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 Companies House as the Accounting Officer for the Agency. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which she is answerable and for the keeping of proper records, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in Government Accounting.

## 1. Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Companies House policies, aims and objectives, as agreed whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

I am advised by:

The Companies House Steering Board. Membership of the Steering Board includes an independent Chairman and four independent members, and senior officials from the DTI. It is attended by all of the Agency's Executive Directors and meets quarterly to advise on strategic issues.

The Audit Committee, which reports to the Steering Board. Membership of the Audit Committee includes two independent members (one of whom is the Chairman) and myself. Meetings are attended by the Finance Director of Companies House, a senior representative from DTI Finance Directorate, DTI Internal Audit and our External Auditors. The Audit Committee meets 5 times a year; at least once a year all executive directors attend the Audit Committee.

The Executive Directors of Companies House who meet on a monthly basis to consider formally our strategic direction, our project plans and continuing activity in support of and progress against our objectives.

### 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 Companies House 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 Companies House for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### Capacity to Handle Risk

Top management have taken a lead in embedding risk management throughout the organisation. A risk management policy that forms part of Companies House's internal control and corporate governance arrangements has been designed consistent with best practice during the year to ensure:

- effective risk management takes place in the corporate, operational and support functions and projects;
- all management and staff are aware of risk management and their responsibilities for managing risks;
- Companies House complies with the requirements of HM Treasury and DTI in operating a sound risk management framework as part of our internal control

environment. The Assurance, Risk and Consultancy Team provide on-going support, training and facilitation to the risk management process and provide specific advice and guidance on the management of risk.

### The Risk and Control Framework

A framework of formal risk management operates at the corporate level, led by the Risk Management Group.

The Risk Management Group (RMG) comprises all Executive Board members and senior managers on a call-off basis. This group meets at least quarterly and reports to the Board and the Audit Committee. Its remit is:

- to be responsible for the oversight and management of risk at Companies House; to review and update the Companies House Risk Register at each meeting;
- to seek evidence on matters related to the management of risk so that there is formal assurance that appropriate measures are in place; to provide guidance on risk management, financial management and control in accordance with best practice;
- to ensure that risk management is embedded within Companies House; to satisfy the requirements of internal or external auditors; consider any resource implications; and advise on sources of audit services and consulting;
- to carry out recommendations agreed with Internal Audit and the National Audit Office in relation to risk.

Additionally a framework of formal risk management operates:

- in all projects and programmes, with responsibility with the project and programme boards. Programme Boards have responsibility for ensuring that projects reporting to it are applying the risk management process;
- in all operational and support departments. Management in each department have responsibility for ensuring risks are being effectively managed in accordance with Companies House policy;
- in the Information Security Forum which provides a link between the corporate process and the technical risk management carried out as part of BS7799.

The risk management policy encourages the taking of controlled risks designed to maximise new opportunities and to promote the use of innovative approaches to further the interests of Companies House and to achieve its objectives provided the resultant exposures are within our documented risk tolerance range. The risk tolerance levels are set by combining the impact and probability levels of residual risk and defining a response for each.

Companies House is serviced by the DTI Internal Audit Unit, operating to Government Internal Audit Standards. The work of the Internal Audit Unit is informed by an analysis of risk to which Companies House is exposed and annual audit plans based on this analysis. The analysis of risk and the internal audit plans

are endorsed by the Audit Committee and approved by me. At each financial year-end the Head of Internal Audit provides me with a report on the internal audit activity at Companies House. This report contains an opinion on the adequacy and effectiveness of our internal controls and the management processes in place to control risk.

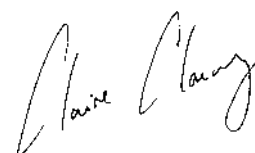
### Review of Effectiveness

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 Directors within Companies House who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and the Risk Management Group and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Each of the Executive Directors considers the significant risks they manage directly and provides me at the year-end with a written formal assertion comprehensively covering the internal controls in each of their Directorates. These assertions are reviewed at a meeting of all the Directors and the Chairman of the Audit Committee. The assertions are also reviewed by Internal Audit and the outcome of this review is reported to the Audit Committee. This provides me with strong assurance that appropriate mechanisms are in place throughout Companies House.

The contract with the developers of our CHIPS system, has been concluded early during the year. However, we have established an in-house development team that will be managed directly. Our IT department has been supporting the first release of the CHIPS systems for several months, which has meant that we have developed a whole new pool of skills and abilities. We have now finalised our detailed plans and costs to complete the remainder of the programme.

In summary, my review indicates that there were no significant control weaknesses during the year. My review of the effectiveness of the system of internal control is informed by the work of Internal Audit, the Audit Committee and those within Companies House who have responsibility for the development and maintenance of the internal control framework, together with comments made by external auditors in their management letters.



Claire Clancy  
Chief Executive and  
Registrar of Companies House  
30 June 2004

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 41 to 53 under the Government Trading Funds Act 1973. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 44.

## **Respective Responsibilities of Companies House, the Chief Executive and Auditor**

As described on page 38, Companies House and the Chief Executive are responsible for the preparation of the financial statements in accordance with the Government Trading Funds Act 1973 and Treasury directions made thereunder, and for ensuring the regularity of financial transactions. Companies House and the Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Trading Funds Act 1973 and Treasury directions made thereunder, and whether in all material respects the income and expenditure have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Accounting Officer has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on page 39 reflects Companies House's compliance with the Treasury's guidance on the statement of internal control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Companies House corporate governance procedures or its risk and control procedures.

## **Basis of Opinion**

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by Companies House and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to Companies House'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 are free from material misstatement, whether caused by error, or by fraud or other irregularity, 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Companies House at 31 March 2004 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Government Trading Funds Act 1973 and directions made thereunder by Treasury; 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  
12 July 2004

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

	Note	Year ending 31 March 2004 £'000	Year ending 31 March 2003 £'000
<b>Income</b>			
Fees and charges		51,756	46,906
Other operating income		<u>1,122</u>	<u>1,459</u>
	2	52,878	48,365
<b>Expenditure</b>			
Staff costs	3	23,433	20,929
Depreciation and amortisation	5,6	1,563	1,148
Other operating charges		<u>23,666</u>	<u>21,076</u>
		48,662	43,153
<b>Operating surplus before interest</b>	7	4,216	5,212
Interest receivable	8	581	767
<b>Operating surplus on ordinary activities</b>		4,797	5,979
Interest payable & finance costs	8	(138)	(186)
<b>Surplus for the year</b>		4,659	5,793
Dividend	9	(2,583)	(1,000)
<b>Retained surplus for the year</b>	15	<u>2,076</u>	<u>4,793</u>

All operations are classed as continuing

## Statement of Total Recognised Gains and Losses

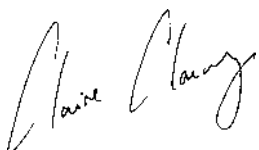
	Note	Year ending 31 March 2004 £'000	Year ending 31 March 2003 £'000
Surplus on ordinary activities for the year after dividend		2,076	4,793
Net unrealised surplus on revaluation of fixed assets	10	3,354	-
Total gains and losses recognised since last Annual Report		<u>5,430</u>	<u>4,793</u>

The notes on pages 44 - 53 form part of these accounts

# Companies House Trading Fund

Balance Sheet as at 31 March 2004

	Note	£'000	As at 31 March 2004 £'000	£'000	As at 31 March 2003 £'000
<b>Fixed assets</b>					
Intangible assets	5	-		-	
Tangible fixed assets	6	<u>36,165</u>	<b>36,165</b>	<u>27,632</u>	27,632
<b>Current assets</b>					
Debtors	11	<u>4,092</u>		3,846	
Bank balances and cash in hand	12a	<u>13,224</u>		<u>15,479</u>	
		<b>17,316</b>		<b>19,325</b>	
<b>Creditors</b>					
Falling due within one year	13	<u>(6,945)</u>		<u>(5,394)</u>	
<b>Net Current Assets</b>			<b>10,371</b>		13,931
<b>Total assets less current liabilities</b>			<u><b>46,536</b></u>		<u>41,563</u>
<b>Provisions for liabilities and charges</b>	14		<b>(116)</b>		<b>(188)</b>
			<u><b>46,420</b></u>		<u><b>41,375</b></u>
<b>Financed by:</b>					
<b>Capital and reserves (Government Funds)</b>					
Public Dividend Capital	15	<u>15,889</u>		15,889	
Long-term loans	17	<u>769</u>		1,154	
Revaluation reserve	10	<u>6,826</u>		3,487	
Retained surplus	15	<u>22,936</u>		<u>20,845</u>	
			<u><b>46,420</b></u>		<u><b>41,375</b></u>



Claire Clancy  
Chief Executive and  
Registrar of Companies House  
30 June 2004

The notes on pages 44 - 53 form part of these accounts

	Note	Year ending 31 March 2004 £'000	Year ending 31 March 2003 £'000
<b>Net cash inflow from operating activities</b>	16(a)	<b>6,843</b>	6,044
<b>Returns on investment and servicing of finance</b>			
Interest received	16 (c)	589	776
Interest paid	16 (d)	(142)	(112)
Dividend paid	9	<u>(2,400)</u>	<u>(1,000)</u>
<b>Net cash outflow from returns on investment and servicing of finance</b>		<b>(1,953)</b>	(336)
<b>Capital expenditure and financial investments</b>			
Payments to acquire tangible fixed assets	16(b)	<u>6,760</u>	<u>9,649</u>
<b>Net cash outflow from capital expenditure and financial investments</b>		<b>(6,760)</b>	<u>(9,649)</u>
<b>Net cash outflow before financing</b>		<b>(1,870)</b>	<u>(3,941)</u>
<b>Financing</b>			
Long term loan repayments	17	<u>(385)</u>	<u>(385)</u>
<b>Decrease in bank balances and cash in hand</b>	12(a)	<b>(2,255)</b>	<u>(4,326)</u>
<b>Opening bank balance and cash in hand</b>		<b>15,479</b>	19,805
<b>Closing bank balance and cash in hand</b>		<b><u>13,224</u></b>	<u>15,479</u>

# Companies House Trading Fund

Notes to the Accounts for the year ended 31st March 2004

## 1. PRINCIPAL ACCOUNTING POLICIES

### (a) Basis of accounting

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

### (b) Revaluation and depreciation of fixed assets

The minimum value for capitalisation of expenditure is £2,000 for an asset or group of assets.

As stated above, fixed assets are revalued (where material) in accordance with HM Treasury requirements. Land and Buildings are revalued triennially by an independent external valuer, using the existing use method. Other fixed assets are revalued annually, using appropriate indices supplied by the Office for National Statistics. Revaluation gains or losses are treated in accordance with FRS 15.

Depreciation is provided on a straight line basis on all tangible fixed assets (other than freehold land) at rates calculated to write down the cost or valuation of each asset to its residual value, evenly over its expected useful life, as follows:

Freehold buildings – over 50 years  
Leasehold improvements – over 3 years  
PC equipment – over 2 to 5 years  
Plant and Machinery – over 4 to 10 years  
IT Projects – over 4 to 10 years

### (c) Replacement of the core information processing system (CHIPS)

In accordance with FRS15, the policy on expenditure incurred on the replacement of the core information processing system is to capitalise only directly attributable costs to bring it into working condition.

The labour costs of our own employees (note 3) arising directly from the construction of the specific tangible fixed asset along with contract and agency staff are capitalised as directly attributable costs.

Administration and other general overhead costs are excluded from the cost of the tangible fixed asset. Any abnormal costs such as idle capacity and wasted materials are also not directly attributable costs. Where costs are not treated as directly attributable they are charged to the operating account.

Phase 1 and 2 of the project which were incurred between the 00/01 and 02/03 financial years were treated as pre-development research cost and charged to the operating account. Phase 3 of the project that specifically relates to the design and production of the system is treated as capital expenditure. Initially the capitalisation of expenditure is shown as an asset in the course of construction. Once a release is achieved the release cost is taken to IT assets constructed and depreciated in line with the policy described in note (b).

The depreciation rates specifically applied to these assets are:

IT asset hardware – 4 years  
IT asset development costs – 5 years

### Other development projects

Other development project expenditure that delivers tangible benefits to our services to the public are capitalised where the direct costs exceed £250k. The tangible assets are depreciated over the expected useful lifespan of the benefits envisaged over a period, which is between 4 to 10 years.

For development expenditure on a project that spans more than one financial year, the expenditure is capitalised as an asset in the course of construction. An impairment review is undertaken at each year end to assess the carrying value of the asset in the course of construction.

All research expenditure is written off as incurred.

### (d) Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the term of the lease.

### (e) Income

Income, which excludes value added tax, represents fees and charges in respect of services provided. Included in income is an amount recovered from the Department of Trade and Industry for running costs incurred by Companies House in respect of the charging, administration and collection of penalties raised on companies as the result of the late filing of accounts. Miscellaneous income, for example rent receivable, is accounted for as other operating income.

### (f) Taxation

As a Trading Fund Companies House is not liable for Corporation Tax.

Companies House is not registered separately for VAT, but falls within the Department of Trade and Industry registration. Irrecoverable VAT on expenditure is charged to the operating account and is capitalised in relation to purchase of fixed assets.

### (g) 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. Companies House 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 benefit is a charge on the PCSPS. Further information is given in Note 4.

## 2. INCOME

### (a) Segmental Reporting

All significant activities of Companies House are derived from a single legislative requirement, the Companies Acts, and consequently are considered for segmental purposes to be one single class of business.

The following information on the main activities of Companies House is produced for fees and charges purposes and does not constitute segmental reporting under Statement of Standard Accounting Practice 25.

	Turnover 2003/04 £m	2002/03 £m	Cost of services 2003/04 £m	2002/03 £m	Surplus/(Deficit) 2003/04 £m	2002/03 £m
Registration activities (i)	37.6	33.3	34.2	30.3	3.4	3.0
Dissemination activities (ii)	14.2	13.6	13.5	11.5	0.7	2.1
Other services (iii)	1.1	1.5	1.0	1.4	0.1	0.1
<b>Total</b>	<u>52.9</u>	<u>48.4</u>	<u>48.7</u>	<u>43.2</u>	<u>4.2</u>	<u>5.2</u>

This segmentation is consistent with the pricing structure in 2003/04. Companies House has been conducting a pricing review which has included examination of the costs of its whole range of services. Future segmentation will reflect the outcomes of this review, in the light of recent moves to begin the implementation of CHIPS and the increase in the e-delivery of services.

- (i) Registration activities – Includes incorporation, annual registration, change of name, mortgage registration, dissolution, liquidation and recharges of costs incurred in the administration of Late Filing Penalties.
- (ii) Dissemination activities – Includes searches delivered on fiche, electronically, magnetic tape and to bulk users
- (iii) Other services – Includes income from rentals of surplus office space,

Support costs are apportioned based on the usage made by the main service providers; otherwise, by floor area.

The performance against financial targets for Companies House services is given in note 22.

### (b) Late filing penalties

Late filing penalties received are surrendered directly to HM Treasury and do not form part of the Trading Fund Income. The amounts collected by Companies House in 2003/04 were £27.8m (2002/03 £25.1m).

Included in income is £2.6m recovered from the Department of Trade and Industry for the running costs incurred in the charging, administration and collection of late filing penalties raised (2002/03 £2.5m).

### 3. STAFF COSTS

The salary and pension entitlements of the senior managers of Companies House in the year to 31 March 2004 are as follows:

	Salary including performance pay (2002/03: Salary)	Real increase in pension and lump sum at age 60 (£k)	Total accrued pension at age 60 at 31/03/04 and related lump sum	CETV at 31/03/03 (nearest £k)	CETV at 31/03/04 (nearest £k)	Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £k)
	£'000	£'000	£'000	£'000	£'000	£'000
Claire Clancy Chief Executive	70-75 (70-75)	0-2.5 2.5-5	20-25 70-75	291	328	27
Eileen Heasman Director of Human Resources	50-55 (45-50)	0-2.5 2.5-5	5-10 20-25	96	121	22
Lynn Lynch Director of Marketing	50-55 (45-50)	0-2.5 2.5-5	5-10 15-20	75	97	19
Jack Mansfield Director of Finance	50-55 (50-55)	0-2.5 0-2.5	5-10 20-25	106	122	14
Mark Pacey Director of Development	50-55 (50-55)	0-2.5 0-2.5	0-5 5-10	41	55	9
Jeanne Spinks Director of Operations	65-70 (60-65)	0-2.5 5-7.5	20-25 60-65	253	296	35
Helen Thewlis Director of Policy and Planning	50-55 (45-50)	0-2.5 0-2.5	5-10 20-25	116	143	25

In addition, independent members of Companies House Steering Board received fees totalling £29,000 (2002/03: £15,800). There were 5 independent members 2003/04 (2002/03: 4).

An explanation of the above table and FRS17 is contained in note 4.

The average number of employees during the period was as follows:

	2003/04	2002/03		
	Total Employees	Full time Equivalent Posts	Total Employees	Full time Equivalent Posts
Cardiff (including satellite offices)	1,184	1,058	1,139	999
Edinburgh	38	37	41	40
London	8	8	9	8
	<u>1,230</u>	<u>1,103</u>	<u>1,189</u>	<u>1,047</u>
Staff on capital projects	73	70	53	50

The number of full time equivalent civil servant staff employed was 1,101 (2002/3: 1,045)

#### Staff costs (for the above persons)

	2003/04 £'000	2002/03 £'000
Salaries	21,930	18,837
National insurance	1,441	1,037
Pension costs	2,500	2,298
	<u>25,871</u>	<u>22,172</u>
Capitalised staff project costs	2,438	1,243
Staff costs per operating account	<u>23,433</u>	<u>20,929</u>

Salaries include 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. No directors received remuneration other than as stated above, either by receiving benefits in kind, non-financial emoluments or otherwise.

#### 4. PENSIONS

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS). This scheme is an unfunded multi-employer defined benefit scheme, but Companies House is unable to identify its share of the underlying assets and liabilities. From 1 October 2002 civil servants may be in one of three statutory based "final salary" defined benefit schemes (classic, premium and classic plus). Pensions payable under these schemes are increased annually in line with changes in Retail Prices Index. New entrants from 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 in 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 as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% 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 PCSPS arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).

Columns 4 & 5 of the preceding table (note 3) show the members' cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 6 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.

A 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 members's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by the 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 the former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the PCSPS arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETV's are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

For 2003/04, the banded charges averaged 12.9% of pensionable pay for permanent staff (2002/03: 13%). This equates to a charge for the year of £2.5m (2002/03 : £2.3m). at one of the four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. Rates will remain the same next year, subject to revaluation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The date of the last actuarial valuation was 31 March 2003. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. Companies House has prepaid certain redundancy and early retirement costs, which are disclosed more fully in Note 14. All other liabilities incurred in the year were satisfied by the year end.

#### 5. INTANGIBLE FIXED ASSETS

	31 March 2004 £'000	31 March 2003 £'000
<b>Cost</b>		
At 1 April	958	958
Additions	-	-
Disposals	-	-
Retired during the year	(958)	-
<b>At 31 March</b>	<u>-</u>	<u>958</u>
<b>Amortisation</b>		
At 1 April	958	958
Charged during the year	-	-
Retired during the year	(958)	-
<b>At 31 March</b>	<u>-</u>	<u>958</u>
<b>Net Book Value at 31 March</b>	<u>-</u>	<u>-</u>

These capitalised costs relate to second stage development costs of ongoing products and services for the e-delivery of company information. These developments have been superseded by more recent improvement to our e-services. As such they no longer have a remaining intrinsic value and have been retired from the fixed asset register.

## 6. TANGIBLE FIXED ASSETS

	Freehold Land & Buildings	Leasehold Improvements	Plant and Machinery	Computer Equipment	IT Asset Constructed	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Revaluation</b>							
At 1 April 2003	17,512	333	1,620	5,084	-	9,676	34,225
Additions	-	-	209	568	-	6,023	6,800
Disposals/Retired	-	(333)	(7)	(13)	-	-	(353)
Asset transfer	-	-	-	-	7,947	(7,947)	-
Revaluation at end of year (Note 10)	2,488	-	(26)	(609)	-	-	1,853
<b>At 31 March 2004</b>	<b>20,000</b>	<b>-</b>	<b>1,796</b>	<b>5,030</b>	<b>7,947</b>	<b>7,752</b>	<b>42,525</b>
<b>Depreciation</b>							
At 1 April 2003	521	333	1,346	4,393	-	-	6,593
Provided during year	352	-	147	254	810	-	1,563
Disposals/Retired	-	(333)	(3)	(12)	-	-	(348)
Revaluation at end of year (Note 10)	(873)	-	(23)	(552)	-	-	(1,448)
<b>At 31 March 2004</b>	<b>-</b>	<b>-</b>	<b>1,467</b>	<b>4,083</b>	<b>810</b>	<b>-</b>	<b>6,360</b>
<b>Net Book Value at 31 March 2004</b>	<b>20,000</b>	<b>-</b>	<b>329</b>	<b>947</b>	<b>7,137</b>	<b>7,752</b>	<b>36,165</b>
Net book value at 31 March 2003	16,991	-	274	691	-	9,676	27,632

Assets in the course of construction include the replacement off the core processing system (CHIPS). The first release of this occurred in December 2003 resulting in a movement of £7.9m from assets in the course of construction to IT assets constructed.

The land and buildings were valued as at 31 March 2004 by Messrs DTZ Debenham Thorpe on the basis of existing use, as set out in the RICS Appraisal and Valuation Manual. This basis is appropriate for use when valuing, for financial statements, property that is occupied for the purposes of the business operating within it.

All other assets have been revalued using appropriate pricing indices.

If fixed assets had not been revalued, they would have been included at the following amounts:

	Freehold Land & Buildings	Leasehold Improvements	Plant and Machinery	Computer Equipment	IT Asset Constructed	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost	16,493	333	1,749	6,468	7,947	7,752	40,742
Aggregate depreciation based on cost	(3,363)	(333)	(1,424)	(5,173)	(810)	-	(11,103)
<b>Net book value based on cost</b>	<b>13,130</b>	<b>-</b>	<b>325</b>	<b>1,295</b>	<b>7,137</b>	<b>7,752</b>	<b>29,639</b>

## 7. OPERATING SURPLUS

	2003/04 £'000	2002/03 £'000
This is stated after charging the following:		
Audit services	27	25
Loss on disposal of fixed assets	5	7
Travel, subsistence & hospitality:		
Chief Executive and Senior Managers	30	9
Employees	489	413
Hire of assets (property rental)	598	709
And after crediting:		
Rental income	929	889

No other services were provided by the auditor during the year.



	2003/04 £'000	2002/03 £'000
<b>8. INTEREST</b>		
Short-term daily interest receivable from the Paymaster General's Office and National Loans Fund	<u>581</u>	<u>767</u>
Interest payable on unsecured loans from the Department of Trade and Industry repayable wholly or partly in more than 5 years by instalments	<b>(128)</b>	(166)
Unwinding of discount on early retirement provision	<u>(10)</u>	(20)
	<u><b>(138)</b></u>	<u>(186)</u>

## 9. DIVIDEND POLICY

Companies House has the objective of paying each year a dividend equivalent to 6% on average of net assets. There will be a new government rate of 3.5% applied in the next financial year.

A dividend of £2.6m (2002/03: £1m) was payable to the Department of Trade and Industry. In previous years an amount equivalent to 6% of public dividend capital was paid.

## 10. REVALUATION RESERVE

	Land & Buildings £'000	Plant and Machinery £'000	Computer Equipment £'000	Total £'000
<b>Balance brought forward 1 April 2003</b>	<b>3,480</b>	<b>7</b>	-	<b>3,487</b>
Revaluation of fixed assets at 31 March 2004 – Cost	2,488	-	-	2,488
Revaluation of fixed assets at 31 March 2004 – Depreciation	873	-	-	873
Movement in revaluation reserve in year	(15)	(7)	-	(22)
<b>Balance carried forward 31 March 2004</b>	<u><b>6,826</b></u>	<u>-</u>	<u>-</u>	<u><b>6,826</b></u>

## 11. DEBTORS

	31 March 2004 £'000	31 March 2003 £'000
Trade debtors	<b>1,684</b>	1,826
Other debtors	<b>872</b>	1,090
Prepaid expenditure	<b>1,256</b>	675
Amounts due from the DTI	<b>280</b>	255
	<u><b>4,092</b></u>	<u>3,846</u>

No amounts fall due after more than one year (2002/03: nil).

## 12. MOVEMENT IN NET FUNDS

### (a) Reconciliation of Movement in Net Funds

	At 1 April 2003 £'000	Cash flows £'000	Other changes £'000	At 31 Mar 2004 £'000
Bank balance and cash in hand	15,479	(2,255)	-	13,224
Loan due after 1 year	(1,154)	-	385	(769)
Loan due within 1 year	(384)	385	(385)	(384)
Total	<u>13,941</u>	<u>(1,870)</u>	<u>-</u>	<u>12,071</u>

### (b) Reconciliation of Net Cash Flow to Movement in Net Funds

	2003/04 £'000	2002/03 £'000
Decrease/Increase in cash in the period	(2,255)	(4,326)
Movements in loans	385	385
Net funds at beginning of year	13,941	17,882
Net funds at end of year	<u>12,071</u>	<u>13,941</u>

## 13. CREDITORS: AMOUNT FALLING DUE WITHIN ONE YEAR

	31 March 2004 £'000	31 March 2003 £'000
Current instalments of long term loans	385	385
Trade creditors	826	383
Accruals and customer prepayments	5,448	4,302
Other creditors	103	324
Dividend payable	183	-
	<u>6,945</u>	<u>5,394</u>

## 14. PROVISIONS FOR LIABILITIES AND CHARGES

	Redundancy/ Early retirement £'000
<b>Balance at 31 March 2003</b>	<b>188</b>
Transferred to current liabilities	(82)
Charged/credited to operating account	10
<b>Balance at 31 March 2004</b>	<u><b>116</b></u>

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 has accordingly been charged with the full liability of new decisions taken and a balance sheet provision has been made which will be offset against the amount paid to retirees in respect of pension and related payments as they fall due between 2004 and 2010.

In accordance with FRS 12, the provisions are net of the effect of discounting at a real rate of 3.5%. The unwinding of the discount is treated as an interest charge on the operating account (see Note 8).

15. MOVEMENT IN CAPITAL AND RESERVES (GOVERNMENT FUNDS)

	Public dividend capital £'000	Long term loans £'000	Revaluation reserve £'000	Retained surplus £'000	Total £'000
<b>Balance at 1 April 2003</b>	<b>15,889</b>	<b>1,154</b>	<b>3,487</b>	<b>20,845</b>	<b>41,375</b>
Retained surplus for the year	-	-	-	2,076	2,076
Movement in revaluation reserve in the year	-	-	3,339	15	3,354
Transfer to current liabilities	-	(385)	-	-	(385)
<b>Balance at 31 March 2004</b>	<b>15,889</b>	<b>769</b>	<b>6,826</b>	<b>22,936</b>	<b>46,420</b>

16. NOTES TO CASH FLOW STATEMENT

(a) Reconciliation of operating surplus to net cash inflow from operating activities

	2003/04 £'000	2002/03 £'000
Operating surplus	4,216	5,212
Depreciation and amortisation charge	1,563	1,148
Adj for non cash item	(130)	-
Loss on sale of fixed assets	5	7
Net decrease in provisions for liabilities and charges	(82)	(87)
Increase in debtors	(254)	(384)
Increase in creditors	1,525	148
<b>Net cash inflow from Operating Activities</b>	<b>6,843</b>	<b>6,044</b>

(b) Cash outflow on capital expenditure

	2003/04 £'000	2002/03 £'000
Capital expenditure accrued at previous year end	777	-
Additions to tangible fixed assets (Note 6)	6,800	10,426
Accrued capital expenditure not paid for at year end	(817)	(777)
Payments to acquire tangible fixed assets	6,760	9,649

(c) Cash inflow from interest receivable

	2003/04 £'000	2002/03 £'000
Interest receivable accrued at previous year end	12	21
Interest earned during the year	581	767
Interest receivable not received at year end	(4)	(12)
Net cash inflow from interest receivable	589	776

d) Cash outflow from interest payable

	2003/04 £'000	2002/03 £'000
Interest payable accrued at previous year end	54	-
Interest charged during the year	128	166
Interest payable not paid at year end	(40)	(54)
Net cash outflow from interest payable	142	112

## 17. LONG TERM LOANS

	31 March 2004 £'000	31 March 2003 £'000
<b>Loans are repayable as follows:</b>		
Less than one year (see note 13)	385	385
Between one and two years	385	385
Between three and five years	384	769
	<u>1,154</u>	<u>1,539</u>

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

Amount outstanding as at 31/3/04 £'000	Original Date Issued	Period	Interest	Repayment Basis
641	1.10.91	15 years	9.750% fixed}	Equal instalments of principal on 6 month anniversary of issue
200	1.10.91	15 years	9.750% fixed}	
313	31.3.92	15 years	10.125% fixed}	
<u>1,154</u>				

## 18. OPERATING LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases on leasehold premises are as follows:

	31 March 2004 £'000	31 March 2003 £'000
Operating leases which expire:		
Within one year	315	370
In the second to fifth years inclusive	-	-
	<u>315</u>	<u>370</u>

## 19. CONTRACTUAL COMMITMENTS

On the 10th May 2004 a 15 year lease agreement was signed, with the Welsh Development Agency, for a new 4,200 sq.m (46,000 sq.ft) building at Nantgarw on the outskirts of Cardiff. The property will allow for a temporary expansion to cope with the additional resources required to process the increases in workload and development and dual running of e-services.

## 20. PAYMENT POLICY

It is Companies House payment policy to pay all invoices not in dispute within 30 days or the agreed contractual terms if otherwise specified. For 2003/04 100% of invoices paid were within these limits (2002/03: 99.6%).

## 21. 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 that Companies House faces in undertaking its activities. Financial instruments play a more limited role in creating or changing risk than would be typical of the listed companies and financial institutions to which FRS 13 mainly applies. Companies House 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 faced in undertaking normal activities.

All of the liabilities Companies House carries are at nil or fixed rates of interest. Interest bearing financial assets comprise cash balances which are held at floating rates of interest as defined by FRS 13. As cash is available on demand or is placed on short term deposit at fixed rates, interest rate risk is limited.

Companies House is not exposed to any liquidity risk as at 31st March 2004, neither does it carry any exposure to foreign currency risk as all fees and charges are denominated in sterling, any payments made in foreign currency being immaterial in terms of foreign exchange risk on translation.

## 22. PERFORMANCE INDICATORS

### (a) Average rate of Return

Target: To achieve a 6% average annual rate of return based on operating surplus expressed as a percentage of net assets employed at current values.

The return achieved for the year ended 31 March 2004 was 11% (year ended 31 March 2003 - 12%).

The return achieved since the establishment of the Trading Fund Status (1 October 1991 to 31 March 2004) was 9%.

### (b) Unit cost reduction

Target: To reduce the real cost of registration activity by 3% compared to the out-turn in 2002/03.

		£m
<b>Total cost of registration activities – 2002/03</b>	(Note 2)	<b>30.3</b>
Adjustment for non-recurring development activity		(4.5)
Adjustment for workload increase and year on year inflation		2.8
Underlying cost of registration activities – 2002/03		<u>28.6</u>
<b>Total cost of registration activities – 2003/04</b>	(Note 2)	<b>34.2</b>
Adjustment for non-recurring development activity		(7.0)
Underlying cost of registration activities – 2003/04		<u>27.2</u>
<b>Unit cost reduction achieved</b>		<b>4.9%</b>
<b>Target</b>		<b>3.0%</b>

## 23. RELATED PARTY TRANSACTIONS

Companies House is an Executive Agency of the DTI with Trading Fund status. The DTI is regarded as a related party and during the year Companies House has had various material transactions with the divisions of the Department. In addition, Companies House had a number of material transactions with other Central Government bodies, most of which have been with the Treasury Solicitor and the Inland Revenue. None of the Steering Board members or senior managers has undertaken any material transactions with Companies House during the year.

# Schedule 1

## Application of the Companies Acts' requirements

The disclosure exemptions permitted by the Companies Acts in force for the financial period for which the statement of accounts is to be prepared shall not apply to Companies House unless specifically approved by the Treasury.

1. The Foreword shall contain the information required by the Companies Acts to be disclosed in the Directors' Report, to the extent that such requirements are appropriate to Companies House.
2. In preparing its Operating Account and Balance Sheet, Companies House shall adopt respectively format 2 and format 1 prescribed in Schedule 4 to the Companies Act 1985 to the extent that such requirements are appropriate to Companies House. Regard should be had to the examples in Annex C of the Trading Accounts booklet, in particular the need to strike the balance sheet totals at "Total Assets less Current Liabilities".
3. The Foreword and Balance Sheet shall be signed and dated.

## Schedule 2

### Additional disclosure requirements



The Foreword shall state that the accounts have been prepared in accordance with the direction given by the Treasury in pursuance of section 4(6) of the Government Trading Funds Act 1973.

1. The Foreword shall include a brief history of Companies House and its statutory background. Regard should be had to Annexes B and C of the Trading Accounts booklet.
2. The Notes to the Accounts shall include, inter alia:
  - (a) details of the total income received from fees levied by Companies House and how these are divided between payments to the Consolidated Fund and payments to the Trading Fund;
  - (b) details of the further financial objectives set by the responsible Minister with Treasury concurrence in accordance with section 4(1)(b) of the Government Trading Funds Act 1973, together with an indication of the performance achieved. The Treasury Minute shall be reproduced as an appendix to the accounts.

# Treasury Minute

## dated September 1991

### Regarding Financial Objectives of Companies House

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 the discharge of his functions 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. The trading fund for the Companies House Executive Agency will be established on 1 October 1991 under the Companies House Trading Fund Order 1991 (S. I. 1795/91).
3. The Secretary of State for Trade and Industry, being the responsible Minister, has determined (with Treasury concurrence) that in addition to the statutory duty to break even, taking one year with another, a further financial objective desirable of achievement by the Companies House Executive Agency shall be to achieve a six per cent average annual return in the form of an operating surplus expressed as a percentage of average net assets employed at current values. Companies House will also be expected to reduce their real unit costs by an average of two per cent a year over the period 1 October 1991 to 31 March 1995.
4. 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.

Signed: **D. C. W. REVOLTA**



Claire Clancy  
Chief Executive

Gwyneth Edwards  
Legal Advisor

Mark Pacey  
Development Director

IT Application and Infrastructure Support  
E-Business Development Projects

Jeanne Spinks  
Operations & CHIPS  
Programme Director

CHIPS Programme  
Company Incorporations  
Document Processing  
Compliance  
Quality Management & Customer  
Services  
Service Management  
Procurement

Helen Thewlis  
Policy & Planning  
Director

Business Improvement  
Policy  
Communications  
International Relations

Lynn Lynch  
Marketing Director

Marketing  
Customer Care  
Website  
Product Development  
Information Centres

Jack Mansfield  
Finance Director

Financial Control  
Finance Operations  
Management Reporting  
Building Services  
Accommodation Projects

Eileen Heasman  
Human Resources  
Director

Human Resources Management  
Recruitment & Selection  
Equal Opportunities Advice  
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Telephone 0870 33 33 636

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