



## Chapter 5

# Resource Accounts

### Section 5.1

## Statement of Accounting Officer's responsibilities

- 5.1** Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Department for Business, Enterprise and Regulatory Reform (BERR) to prepare, for each financial year, Resource Accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year. The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.
- 5.2** In preparing the Accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:
- observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
  - make judgements and estimates on a reasonable basis;
  - state whether applicable accounting standards, as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the Accounts; and
  - prepare the Accounts on a going concern basis.
- 5.3** HM Treasury has appointed the Permanent Secretary of the Department as Accounting Officer of the Department. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Department for Business, Enterprise and Regulatory Reform's assets, are set out in *Managing Public Money* as published by HM Treasury.

## Section 5.2

# Statement on internal control

### Introduction

**5.4** This is the last Statement on Internal Control for the Department for Business, Enterprise and Regulatory Reform (the Department). It ceased to operate on 5 June 2009 following the creation of the new Department for Business, Innovation and Skills (BIS), which merged the work of BERR with the work of the former Department for Innovation, Universities and Skills (DIUS). References made in the document about planned actions to improve the system of internal control within the Department will be relevant for BIS.

### Scope of responsibility

**5.5** As Accounting Officer, my predecessor had responsibility for maintaining a sound system of internal control that supported the achievement of the Department for Business, Enterprise and Regulatory Reform's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which he was personally responsible, in accordance with the responsibilities assigned to him in Managing Public Money.

**5.6** Although I was not in post during the accounting period for the 2008–09 Statement on Internal Control, my predecessor, Chairman of the Audit Committee and Head of Internal Audit advised me about the control environment that operated in the Department up to the approval of the Annual Report and Accounts.

**5.7** The Department's role was to help to ensure business success in an increasingly competitive world by:

- promoting the creation and growth of business and a strong enterprise economy across all regions;
- ensuring that all Government Departments and agencies deliver better regulation for the private, public and third sectors;
- delivering free and fair markets, with greater competition, for businesses, consumers and employees;
- ensuring that Government acts as an effective and intelligent shareholder and provides a source of excellent corporate finance expertise within Government; and
- providing the professional support, capability and infrastructure to enable BERR's objectives and programmes to be successfully delivered.

**5.8** In supporting Ministers in pursuit of this, my predecessor was supported by:

- The Department's Management Board which he chaired. It comprised the core operational Directors General; Chief Executive UKTI; and three Non-Executives. The Director of Communications and the Director of Business Environment Unit both attended the Management Board. The Board met monthly, except August,

and worked with Ministers to set the Department's strategy and allocate resources, agree business plans and monitor Departmental performance, assess risks/issues which could undermine the Department's strategy/business plan, assess Departmental capability and plans for the future and set standards, values and controls.

- The following three Committees supported the role of the Management Board:
  - Audit and Risk Committee
  - Executive Committee
  - Operating Committee
- The Secretariat, who proactively managed the governance of Board and Committee agendas and provided strategic input, took minutes, and recorded follow up on decisions and action points.

**5.9** My predecessor worked with Ministers and the Department's top management through the Management Board, other meetings and correspondence. He involved Ministers in the management of risk at a strategic level, considering major factors that could prevent Departmental objectives being achieved.

### **The purpose of the system of internal control**

**5.10** The system of internal control was designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it could therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control was based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental 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 was in place in the Department for Business, Enterprise and Regulatory Reform for the year ended 31 March 2009 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

### **Capacity to handle risk**

**5.11** The Management Board took the lead in embedding risk management in the organisation and reviewed each month the key risks facing the Department. During the year, the Board decided to revise its list of key risks to reflect the changing risk environment facing the Department as a result of the economic downturn. An exercise was undertaken with the Board to determine the key strategic themes for the Department and the main risks associated with these in the current climate. The new set of risks was approved by the Board in January 2009.

**5.12** The Board also reviewed twice during the year the long term risks that may pose a significant threat to the Department in the future. As part of performance reporting, the Board also received each quarter, a register of emerging risks that had been identified at Group level for potential escalation to the Board.

- 5.13** During 2009-10, a new risk management framework will be developed to take account of the merger between BERR and DIUS. The risk management policy will be updated to reflect the new arrangements and endorsement sought from the Audit and Risk Committee.
- 5.14** Guidance was available to all staff on risk management through the Risk Management Intranet site, which was revised and updated each month. In addition to a risk management policy, specific guidance was available on undertaking risk self assessment which included guidance on applying risk management as an integral part of the Department's business planning process. Risk management workshops were available to all staff and practical guidance on its application was incorporated into a wide range of training courses. These courses covered all ranges of staff in the Department and were tailored to be appropriate to their authority and duties. The National School of Government prepared an e-learning package on risk management which was made available to BERR staff in May 2009.

### The risk and control framework

- 5.15** The risk management framework for the Department operated through the initial identification of risks, as part of the business planning process, which threatened the achievement of the Department's objectives. These risks were then evaluated in terms of impact and probability. Consideration was then given to the actions required to effectively manage each risk. This process established the level of residual risk against which the Department was exposed and which was monitored over time as part of performance management. Ownership for each risk was assigned to a named individual. Assurance that risk mitigation activities are appropriate was obtained through regular management reviews and Internal Audits of the key activities undertaken in the Department.
- 5.16** Throughout 2008-09 the Department's Risk Support Team continued to work with colleagues to embed risk identification and assessment into the early stages of key decision making processes such as business planning and performance management, policy-making and project management. The Risk Support Team worked in partnership with a number of policy and project teams to help embed risk management within their activities.

### Review of effectiveness

- 5.17** As the current 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 was informed by the work of the internal auditors and the executive managers within the Department who had 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 had been advised on the implications of the results of my review of the effectiveness of internal control by the Management Board and, the Audit and Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the system was in place.

- 5.18** The effectiveness of the system of internal control was reviewed by my Directors General who each provided a Statement on Risk Management, Internal Control and Corporate Governance for their Group, informed by returns or opinions they themselves received from their Heads of Management Units. The Chairman of the Audit and Risk Committee and the Director of Internal Audit reviewed each Statement and Representation with the relevant Director General and discussed the key findings with me.
- 5.19** The Department's Agencies and consolidated delivery partners also conducted a review of the effectiveness of internal control in preparing a Statement on Internal Control for their Annual Accounts. A similar process was applied to that in the Department and the signed statements from each Chief Executive formed part of the Department's overall assurance on internal control.
- 5.20** The Department also had arrangements, tailored to each particular situation, for monitoring those sponsored bodies which were not consolidated into the Departmental Resource Accounts but where these bodies participated in the delivery of Departmental objectives. Monitoring arrangements were in place as needed for other bodies where the Department had policy lead within Government.
- 5.21** The Audit and Risk Committee provided independent advice to give assurance to the Management Board on internal control issues, the Internal Audit work programme and the progress being made in embedding risk management within the organisation. My predecessor and then I attended the Committee and maintained a dialogue with the Chairman. The Chairman also sat as a Non-Executive Board Member on the Management Board. The Audit and Risk Committee undertook a review of performance against its terms of reference during 2008-09.
- 5.22** Internal Audit operated to requirements defined in the Government Internal Audit Standards. Their audit programme was focused around the Department's key risks and regular reports were submitted on the adequacy and effectiveness of internal control together with recommendations for improvement. Where weaknesses in the control environment were identified, action to strengthen control was taken or was planned. The Director of Internal Audit provided me with an Annual Report which recorded his opinion that during 2008-09 the system of internal control that operated within BERR was satisfactory.

### **Other matters relevant to my statement**

- 5.23** Following the Cabinet Office's review of data handling and security, BERR made good progress in implementing the requirements expected of it. BERR's security and information management teams worked together to ensure the requirements and associated guidance issued by Cabinet Office were clearly understood by users and key stakeholders. A network of Management Group Data Champions was established to get key data security information out to BERR's delivery partners and maintain effective communication channels.
- 5.24** BERR put effort into ensuring communications to staff on data handling was digestible and understood. Poster and BERR TV campaigns were run in an effort to secure high and sustained levels of personal compliance across the organisation. In

May 2009, BERR introduced mandatory training for data users, and key stakeholders as Cabinet Office sponsored e-learning packages were released by the National School of Government.

- 5.25** There were no significant internal control problems in the Department's Agencies and delivery partners that impacted on the Department's Resource Accounts.



Simon Fraser  
Principal Accounting Officer and Permanent Secretary  
10 July 2009

### Section 5.3

## The Certificate and Report of the Comptroller and Auditor General to the House of Commons

**5.26** I certify that I have audited the financial statements of the Department for Business, Enterprise and Regulatory Reform for the year ended 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Consolidated Cash Flow Statement and the Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### Respective responsibilities of the Accounting Officer and auditor

**5.27** The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

**5.28** My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

**5.29** I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information which comprises the sections 3.6, 4.1, 4.4, annex 2, annex 3 and annex 4, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

**5.30** In addition, I report to you if the Department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

**5.31** I review whether the Statement on Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

**5.32** I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises

the remaining sections of the Annual Report and the unaudited part of the Remuneration Report. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### Basis of audit opinions

- 5.33** I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Department's circumstances, consistently applied and adequately disclosed.
- 5.34** I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

### Opinions

- 5.35** In my opinion:
- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Department's affairs as at 31 March 2009, and the net cash requirement, net resource outturn, net operating cost, consolidated net operating costs applied to departmental strategic objectives, recognised gains and losses and consolidated cash flows for the year then ended;
  - the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
  - information which comprises sections 3.6, 4.1, 4.4, annex 2, annex 3 and annex 4 included within the Annual Report, is consistent with the financial statements.

### Opinion on Regularity

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

## Report

I have no observations to make on these financial statements.

Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
151, Buckingham Palace Road  
Victoria  
London SW1W 9SS  
15 July 2009

## Section 5.4

# Primary Statements

### Statement of Parliamentary Supply

Summary of Resource Outturn 2008-09

		Estimate			Outturn			2008-09 £'000	(restated) 2007-08 £'000
		Note	Gross Expenditure	A in A	Net Total	Gross Expenditure	A in A	Net Total	Net Total Outturn compared with Estimate: saving/ (excess)
<b>Request for Resources</b>									
<b>RfR 1</b> Ensuring business success	<b>2</b>	3,557,276	(2,038,475)	1,518,801	3,542,318	(2,038,475)	1,503,843	14,958	1,915,239
<b>Total resources</b>	<b>3</b>	3,557,276	(2,038,475)	1,518,801	3,542,318	(2,038,475)	1,503,843	14,958	1,915,239
<b>Non-operating cost A in A</b>	<b>7</b>			<b>6,450,000</b>			<b>5,825,751</b>	<b>624,249</b>	<b>6,483,180</b>

Net Cash Requirement 2008-09

	Note	Estimate	Outturn	2008-09 £'000	(restated) 2007-08 £'000
				Net Total Outturn compared with Estimate: saving/ (excess)	Outturn
<b>Net cash requirement</b>	<b>4</b>	2,462,936	1,475,225	987,711	1,987,633

The prior year figures have been restated to reflect the Machinery of Government changes described in Note 41

### Summary of income payable to the Consolidated Fund

(In addition to Appropriations in Aid (A in A), the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics)

	Note	Forecast 2008-09 £'000		Outturn 2008-09 £'000	
		Income	Receipts	Income	Receipts
<b>Total</b>	<b>5</b>	854,611	<i>854,611</i>	905,796	<i>914,510</i>

Further detail and explanation of the variation between Estimate and Outturn are given in Note 2 and in the Financial Review on page 130.

## Operating Cost Statement

for the year ended 31 March 2009

	Note	2008-09 £'000			(restated) 2007-08 £'000	
		Staff Costs	Core Department Other Costs	Income	Core Department	Consolidated
<b>Administration Costs</b>						
Staff costs	9	134,441			128,622	133,084
Other administration costs	10		117,240		339,258	346,846
Operating income	13			(34,065)	(32,260)	(41,009)
<b>Programme Costs</b>						
Staff costs	9	754			815	103,681
Other Programme costs	11		3,402,777		3,350,500	3,371,650
Income	13			(1,875,207)	(1,933,254)	(2,071,231)
Special dividend (BNFL plc)	13			(632,000)	(260,000)	(260,000)
<b>Totals</b>		<b>135,195</b>	<b>3,520,017</b>	<b>(2,541,272)</b>	<b>1,593,681</b>	<b>1,583,021</b>
<b>Net Operating Cost</b>	<b>3, 14</b>			<b>1,113,940</b>	<b>1,593,681</b>	<b>1,583,021</b>

All income and expenditure is derived from continuing operations.

## Statement of Recognised Gains and Losses

for the year ended 31 March 2009

	Note	2008-09 £'000		(restated) 2007-08 £'000	
		Core Department	Consolidated	Core Department	Consolidated
Net gains and losses on revaluation of tangible fixed assets	27	536	694	(196)	40
Net gain on revaluation of investments	27	45,486	45,486	64,248	64,248
<b>Recognised gains and losses for the financial year</b>	<b>27</b>	<b>46,022</b>	<b>46,180</b>	<b>64,052</b>	<b>64,288</b>

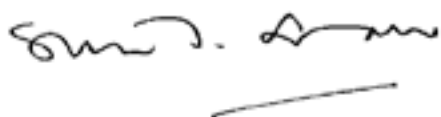
The prior year figures have been restated to reflect the Machinery of Government changes described in Note 41.

**Balance Sheet**

as at 31 March 2009

	Note	2008-09 £'000		(restated) 2007-08 £'000	
		Core Department	Consolidated	Core Department	Consolidated
<b>Fixed Assets:</b>					
Tangible assets	15	71,229	95,043	69,179	80,503
Intangible assets	16	–	907	–	1,612
Investment and Loans in Public Bodies	17	1,251,108	1,251,108	948,312	948,312
Other financial assets	18	1,538,954	1,538,954	1,564,385	1,564,385
		2,861,291	2,886,012	2,581,876	2,594,812
Debtors (amounts falling due after more than one year)	20	63,422	18,511	9,734	396
<b>Current Assets:</b>					
Stocks	19	–	8	–	25
Debtors	20	328,594	451,351	428,252	515,630
Investments and loans in Public Bodies	21	199,000	199,000	390,000	390,000
Cash at bank and in hand	22	1,092,682	1,105,546	837,308	862,887
		1,620,276	1,755,905	1,655,560	1,768,542
Creditors (amounts falling due within one year)	23	(1,303,047)	(1,350,182)	(1,059,669)	(1,110,627)
<b>Net Current Assets</b>		<b>317,229</b>	<b>405,723</b>	<b>595,891</b>	<b>657,915</b>
<b>Total Assets less Current Liabilities</b>		<b>3,241,942</b>	<b>3,310,246</b>	<b>3,187,501</b>	<b>3,253,123</b>
Creditors (amounts falling due after more than one year)	23	(537,503)	(538,717)	(538,406)	(540,827)
Provisions for liabilities and charges	24	(488,123)	(496,571)	(541,635)	(552,236)
Financial guarantees	25	(256,812)	(256,812)	(114,367)	(114,367)
		<b>1,959,504</b>	<b>2,018,146</b>	<b>1,993,093</b>	<b>2,045,693</b>
<b>Taxpayers' Equity:</b>					
General fund	26	1,903,218	1,961,222	1,886,027	1,937,945
Revaluation reserves	27	56,286	56,924	107,066	107,748
		<b>1,959,504</b>	<b>2,018,146</b>	<b>1,993,093</b>	<b>2,045,693</b>

The prior year balances have been restated to reflect the Machinery of Government changes as described in Note 41.



Simon Fraser  
Principal Accounting Officer and Permanent Secretary

10 July 2009

## Consolidated Cash Flow Statement

for the year ended 31 March 2009

	Note	2008-09 £'000	(restated) 2007-08 £'000
Net cash outflow from operating activities	28.1	(697,550)	(1,498,103)
Capital expenditure and financial investment	28.2	(135,543)	(1,506)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities	5	272,675	363,586
Payments of amounts due to the Consolidated Fund		(1,142,736)	(1,117,006)
Financing	28.4	1,945,377	2,601,353
<b>Increase in cash in the period</b>	<b>22, 28.5</b>	<b>242,223</b>	<b>348,324</b>

The increase in cash comprises the movement in the Cash Note and the movement in the overdraft disclosed in Note 23.

*The prior year movements have been restated to reflect the Machinery of Government changes described in Note 41.*

## Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives

for the year ended 31 March 2009

The Department's aim is to ensure business success in an increasingly competitive world.

In pursuance of its aim, the Department has the following strategic objectives:

Objective:	2008-09 £'000			(restated) 2007-08 £'000		
	Gross	Income	Net	Gross	Income	Net
Promoting the creation and growth of business	2,597,213	(1,793,623)	803,590	2,511,714	(1,875,326)	636,388
Ensuring better regulation	11,385	–	11,385	9,140	(1)	9,139
Delivering free and fair markets	891,401	(205,546)	685,855	586,818	(158,286)	428,532
Ensuring that Government acts as an effective shareholder	188,805	(684,278)	(495,473)	488,168	(311,643)	176,525
Professional support, capability and Infrastructure	129,320	(27,932)	101,388	359,421	(26,984)	332,437
<b>Net operating costs</b>	<b>3,818,124</b>	<b>(2,711,379)</b>	<b>1,106,745</b>	<b>3,955,261</b>	<b>(2,372,240)</b>	<b>1,583,021</b>

The Department changed its objectives in 2008-09 following the Machinery of Government change in October 2008. See Note 29.

*The prior year costs have been restated to reflect the Machinery of Government changes as described in Note 41.*

## Section 5.5

### Notes

#### 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2008-09 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK Generally Accepted Accounting Practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the FReM also requires the Department to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting notes show Outturn against Estimate in terms of the Net Resource Requirement and the Net Cash Requirement. The consolidated Statement of Net Operating Costs by Departmental Strategic Objectives and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The Department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

##### *1.1 Accounting convention*

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets, stocks and financial instruments, as described in paragraphs 1.3, 1.4, 1.6 and 1.7.

##### *1.2 Basis of consolidation*

These accounts comprise a consolidation of the core Department and those entities which fall within the Departmental boundary as defined in the FReM (Chapter 2.4) issued by HM Treasury and include non-voted expenditure in relation to the Redundancy Payments Scheme. Transactions between entities included in the consolidation are eliminated.

A list of all those entities within the Departmental boundary is contained in annex 3 of the Report to these accounts.

##### *1.3 Tangible fixed assets*

Title to freehold land and buildings shown in the accounts is held by the Department for Communities and Local Government, in the name of the Secretary of State.

Freehold land and buildings are re-stated at current cost using professional valuations every five years and prior to 1 April 2008, where appropriate, using indices in the intervening years.

In accordance with the FReM, the core Department has opted to value all other tangible fixed assets on a depreciated historical cost basis, as a proxy for current cost. Therefore, with effect from 1 April 2008, the Department ceased to use indices to restate tangible

fixed assets to current cost and the brought forward balances as at 1 April 2008 are used as a proxy for historic cost.

The consolidated bodies, however, continue to restate tangible fixed assets to current cost using appropriate indices. The differences arising because of this are not material to the Accounts.

The core Department's capitalisation threshold for tangible fixed assets is £1,000, except for furniture assets, where all expenditure in one financial year is pooled and capitalised, and IT hardware where a 'pack' of equipment purchased under the Department's Flexible Computing Programme (FCP), with a cost in excess of £1,000 is capitalised as one asset.

The capitalisation thresholds for the consolidated bodies range from £1,000 to £3,000, except for leasehold improvements where one of the bodies has a capitalisation threshold of £300,000.

#### **1.4 Intangible fixed assets**

Where computer software licences are purchased and have a useful life in excess of one year, they are capitalised as intangible fixed assets. These are revalued each year using relevant published indices. Software licences are amortised over the shorter of the term of the licence and the useful economic life. The useful economic life is usually between five to twelve years. All intangible fixed assets are held by the consolidated bodies. Those held by The Insolvency Service are classified as tangible fixed assets in their accounts.

#### **1.5 Depreciation**

Freehold land is not depreciated.

Assets under Construction are not depreciated until the asset is brought into use.

Tangible fixed assets are depreciated at rates calculated to write them down to their estimated residual value on a straight line basis over their estimated useful lives. Assets are normally depreciated over the following periods:

Freehold buildings	50 years or estimated useful economic life if shorter
Leasehold improvements	Shorter of estimated remaining useful economic life or outstanding term of lease
Office machinery and equipment	5 years
Computer equipment	3 – 5 years
Telecommunication equipment	5 – 10 years
Furniture, fixtures and fittings	7 years
Plant and machinery	7 – 10 years

For furniture, fixtures and fittings, an asset pool is maintained. Replacements on a one-to-one basis for assets in the pool are charged directly to the Operating Cost Statement in the year of replacement. Major enhancements or additions to the pool are capitalised as assets.

## 1.6 Financial Instruments

The Department classifies its financial instruments into the following four categories: fair value through the Operating Cost Statement; held to maturity; loans and receivables; and available for sale.

The Department determines the classification of its financial instruments at initial recognition and re-evaluates this designation at each financial year-end.

When financial instruments are recognised initially, they are measured at fair value based on quoted market prices for instruments traded in active markets and valuation techniques for other instruments. The subsequent measurement, by the Department, of financial instruments, falls into the classifications as follows:

- Financial assets at fair value through the Operating Cost Statement (held for trading): Financial assets are classified as held at fair value if they are acquired for sale in the short term. Assets are carried in the Balance Sheet at fair value with gains and losses recognised in the Operating Cost Statement. The Department does not currently hold any financial assets in this category.
- Held to maturity: Non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. The Department does not currently hold any financial assets in this category.
- Loans and receivables: Non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, do not qualify as trading assets and have not been designated as either 'fair value through the Operating Cost Statement' or available for sale.

The Department's assets in this category include: cash at bank and in hand, debtors and loans.

The Department carries loans and receivables relating to other public bodies at historical cost in accordance with the FReM. All other loans and receivables are carried at amortised cost using the effective interest rate method if the time value of money is significant. Gains and losses are recognised in the Operating Cost Statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

- Available for sale financial assets: 'Available for sale assets' are non-derivative financial assets that are designated as such or are not classified in any of the three preceding categories. The Department's assets in this category include: Launch Investments, Venture Capital Funds and ordinary shares.

The Department carries ordinary shares in other public bodies at historical cost in accordance with the FReM. All other 'available for sale assets' are measured at their fair value. Gains and losses are recognised directly in equity until the investment is derecognised, or until the investment is deemed to be impaired at which time the cumulative gain or loss previously reported in equity is included in the Operating Cost Statement.

- Financial liabilities at fair value through the Operating Cost Statement: Derivative liabilities are classified as held for trading unless they are designated as hedging instruments. They are carried in the Balance Sheet at fair value with gains and losses recognised in the Operating Cost Statement. The Department does not currently hold any financial liabilities in this category.
- Financial liabilities measured at amortised cost: all non-derivative financial liabilities are classified as financial liabilities measured at amortised cost. The Department's liabilities in this category are: creditors.

Non-derivative financial liabilities are initially recognised at the fair value of the consideration received, less directly attributable issue costs. After initial recognition, non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the Operating Cost Statement when the liabilities are derecognised or impaired, as well as through the amortisation process.

The Department carries creditors within other public bodies at historical cost in accordance with the FReM.

### *Financial Guarantees*

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given. At each Balance Sheet date they are subsequently measured at the higher of the amount determined in accordance with FRS 12 'Provisions Contingent Liabilities and Contingent Assets', and the amount initially recognised, less when appropriate cumulative amortisation.

The Department currently has a number of financial guarantees provided under the Small Firms Loan Guarantee Scheme; the Enterprise Finance Guarantee; and guarantees given in relation to the UK High Technology Fund.

### **1.7 Stocks and work in progress**

Stocks and work in progress are valued as follows:

- Stocks of finished goods and goods for resale are valued at cost or, where materially different, current replacement cost. A net realisable valuation is used only when they either cannot or will not be used; and
- Work in progress is valued at the lower of cost and net realisable value.

### **1.8 Provisions**

In accordance with FRS12, the Department makes provision for liabilities and charges where, at the Balance Sheet date, a legal or constructive obligation exists (i.e. a present obligation arising from past events), where the transfer of economic benefits is probable and a reasonable estimate can be made.

Where the time value of money is material, the Department discounts the provision to its present value using a discount rate of 2.2%, the Government's standard rate. Each year the financing charges in the Operating Cost Statement include the adjustments to amortise one year's discount so that liabilities are shown at current price levels.

### **1.9 Research and development**

Expenditure on research and development is charged to the Operating Cost Statement in the year in which it is incurred. Fixed assets acquired for use in research and development are depreciated over the life of the associated research project, or according to the asset category if the asset is to be used for subsequent production work.

### **1.10 Operating income**

Operating income is income that relates directly to the operating activities of the Department and its consolidated bodies. It comprises, principally, fees and charges for services provided, on a full cost basis, to external customers and public sector repayment work, dividends and special dividends. It also includes other income such as that from investments. It includes both income Appropriated-in-Aid and income collected by the Department on behalf of HM Treasury on an agency basis and payable to the Consolidated Fund. This income is known as Consolidated Fund Extra Receipts (CFERs).

The Department is required to identify those CFERs that are negative public expenditure (amounts used to reduce the amount of expenditure the Department would otherwise have to spend) and those revenue CFERs that relate to the recovery of costs recorded in the Operating Cost Statement, or to returns on investments. These types of CFERs are credited to the Operating Cost Statement as income to the Department. The remaining CFERs are not included in the Department's Operating Cost Statement and are accounted for through the Balance Sheet accounts of cash and creditors.

### **1.11 Administration and programme expenditure and income**

The Operating Cost Statement is analysed between administration and programme income and expenditure. Administration costs reflect the costs of running the Department, as defined under the administration cost-control regime, together with the associated operating income. Income is analysed in the Notes between that which, under the regime, is allowed to be offset against gross administration costs in determining the outturn against the administration cost limit, and that operating income which is not. Programme costs reflect non-administration costs, including payments of grants-in-aid, grants and other disbursements by the Department, in support of policy initiatives.

### **1.12 Grants payable**

Grants payable are recognised in the period in which the grant recipient carries out the activity that creates an entitlement to grant. Recognition of entitlement varies according to the details of individual schemes and the terms of the offers made. Unpaid and unclaimed grants are charged to the Operating Cost Statement on the basis of estimates of claims not received and are included in accruals in the Balance Sheet.

### 1.13 Capital charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for:

- a) tangible and intangible fixed assets, where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
  - additions at cost;
  - disposals as valued in the opening Balance Sheets (plus any subsequent capital expenditure prior to disposal);
  - impairments at the amount of the reduction of the opening Balance Sheet value (plus any subsequent capital expenditure); and
  - depreciation of tangible and amortisation of intangible fixed assets;
- b) donated assets, and cash balances with the Office of the Paymaster General (OPG), where the charge is nil;
- c) the Department's investments in its trading fund (Companies House) and the public corporation, British Shipbuilders, where the charge is equal to 3.5% of the trading fund's underlying net assets, and the public corporations (BNFL and Royal Mail) where the charge is equal to 8% of the public corporation's underlying net assets.

### 1.14 Foreign exchange

Transactions that are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction, except where rates do not fluctuate significantly in which case an average rate for a period is used. Monetary assets and liabilities denominated in foreign currency at the Balance Sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the Operating Cost Statement.

### 1.15 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS) as described at Note 9. The defined benefit Schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the Schemes, the Department recognises the contributions payable for the year.

### 1.16 Early departure costs

The Department is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Department provides in full for this cost when an early retirement programme has been announced and is binding on the Department. The Department may, in certain circumstances, settle some or all of its

liability in advance by making a payment to the Civil Service Superannuation Vote. The amount provided in these accounts is shown gross of any such payments.

### **1.17 Taxation**

The Department is exempt from income and corporation tax by way of its Crown exemption.

Value Added Tax (VAT) is accounted for in the accounts, in that amounts are shown net of VAT except:

- irrecoverable VAT is charged to the Operating Cost Statement, and included under the heading relevant to the type of expenditure; and
- irrecoverable VAT on the purchase of an asset is included in the capitalised purchase cost of the asset.

The net amount due to, or from, HM Revenue and Customs in respect of VAT is included within debtors and creditors within the Balance Sheet.

### **1.18 Statement of Parliamentary Supply and the Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives**

The information contained in the Statement of Parliamentary Supply and associated Notes are based on the Request for Resources information that forms part of the Parliamentary approval processes.

The Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives reports expenditure and income for each of the Department's objectives. The differences between the Net Resource Outturn, as disclosed in the Statement of Parliamentary Supply and the Net Operating Costs, as disclosed in the Operating Cost Statement and the Statement of Net Operating Costs by Departmental Strategic Objectives, are disclosed in Note 3 to the accounts.

### **1.19 Leases**

Rentals due under operating leases are charged to the Operating Cost Statement over the lease term on a straight-line basis, or on the basis of actual rentals payable where this fairly reflects the usage. Future payments, disclosed at Note 31.1, are not discounted.

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright at the present value of the total rentals payable during the primary period of the lease. The corresponding leasing commitments are shown as obligations to the lessor. The core Department currently has no Finance leases, however, The Insolvency Service, the Department's Agency, does have finance leases. Charges are made to the Operating Cost Statement in respect of:

- depreciation, which is charged on a straight line basis over the useful economic life of the asset; and
- the total finance charge, which is allocated over the primary period of the lease using the sum of digits method.

Where the Department is the lessor of an operating lease, amounts due under the operating lease are treated as amounts receivable and reported as debtors.

### **1.20 *Inter-Departmental transfers of functions: Restatement of prior year comparators***

Machinery of Government changes, which involve the merger or the transfer of functions or responsibility of one part of the public service sector to another, are accounted for using merger accounting in accordance with Financial Reporting Standard (FRS) 6. This requires the restatement of the opening Balance Sheet and prior year's Operating Cost Statement, Cash Flow Statement, Statement of Net Operating Costs by Departmental Strategic Objectives and associated Notes to the Accounts.

The restatement of the opening Balance Sheet and the prior year comparatives for the 2008-09 Machinery of Government changes are disclosed in Note 41 to the accounts.

### **1.21 *Private Finance Initiative (PFI) transactions***

PFI transactions have been accounted for in accordance with FRS 5 Technical Note No. 1 (Revised), entitled 'How to Account for PFI Transactions' as required by the FReM. Where the balance of risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating cost.

### **1.22 *Contingent Assets and Liabilities***

The contingent liabilities of the core Department and the consolidated bodies are included in these accounts.

In addition to contingent liabilities or assets disclosed in accordance with FRS 12, the Department discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefits is remote. These comprise:

- items over £250,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by Departmental Minute prior to the Department entering into the arrangement; and
- all items (whether or not they arise in the normal course of business) over £250,000 (or lower, where required by specific statute or where material in the context of the accounts), which are required by the FReM to be noted in the Accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

In accordance with the FReM, the Department does not disclose any contingent liabilities of its delivery partners that arise in the normal course of business.

### 1.23 Third-party assets

The Department holds, as custodian or trustee, certain cash balances at commercial banks belonging to third parties. These balances are not recognised in the accounts since neither the Department nor Government more generally has a direct beneficial interest in them.

## 2. Analysis of net resource outturn by section

RfR 1 Ensuring business success	2008-09 £'000 Outturn						Net Resource Total	2008-09 £'000 Estimate		(restated) 2007-08 £'000 Outturn
	Administration	Other Current	Grants	Gross Resource Expenditure	A in A	Net Total		Net Total	Net Total Outturn compared with Estimate	
<b>Spending in Departmental Expenditure Limits (DEL)</b>										
<b>Central Government spending</b>										
AB Business Creation and Growth	43,825	100,957	220,663	365,445	(1,793,541)	(1,428,096)	<b>(1,473,334)</b>	(45,238)	(1,087,933)	
AC Free and Fair Markets	10,484	290,706	91,577	392,767	(202,555)	190,212	<b>204,862</b>	14,650	143,716	
AF Government as shareholder	16,596	–	301,720	318,316	(13,851)	304,465	<b>314,034</b>	9,569	459,113	
AG Professional Support and Infrastructure	192,341	(3,339)	7,667	196,669	(28,528)	168,141	<b>229,082</b>	60,941	387,427	
<b>Support for Local Authorities</b>										
AH Business Creation and Growth	–	–	346,297	346,297	–	346,297	<b>346,318</b>	21	101,070	
<b>Spending in Annually Managed Expenditure (AME)</b>										
<b>Central Government spending</b>										
AI Free and Fair Markets	–	–	44,477	44,477	–	44,477	<b>40,000</b>	(4,477)	42,800	
AK Government as shareholder	–	(6,585)	(12,151)	(18,736)	–	(18,736)	<b>(5,791)</b>	12,945	2,112	
<b>Support for Local Authorities</b>										
AL Business Creation and Growth	–	–	1,970	1,970	–	1,970	<b>1,970</b>	–	2,263	
<b>Non-Budget</b>										
W Business Creation and Growth	–	–	1,851,094	1,851,094	–	1,851,094	<b>1,800,388</b>	(50,706)	1,816,242	
X Better Regulation	–	–	4,400	4,400	–	4,400	<b>4,400</b>	–	1,794	
Y Free and Fair Markets	–	–	34,344	34,344	–	34,344	<b>49,205</b>	14,861	41,181	
AM Government as shareholder	–	–	5,275	5,275	–	5,275	<b>7,667</b>	2,392	5,454	
<b>Resource Outturn</b>	<b>263,246</b>	<b>381,739</b>	<b>2,897,333</b>	<b>3,542,318</b>	<b>(2,038,475)</b>	<b>1,503,843</b>	<b>1,518,801</b>	<b>14,958</b>	<b>1,915,239</b>	

Key to RfR 1

To help ensure business success in an increasingly competitive world.

Explanations of the variation between Estimate and Outturn are given in the Financial Overview in Chapter 4 of the Report to these Accounts.

### 3. Reconciliation of outturn to net operating cost and against Administration Budget

#### 3.1 Reconciliation of net resource outturn to net operating cost

	Note	Outturn	Supply Estimate	2008-09 £'000 Outturn compared with Estimate	(restated) 2007-08 £'000 Outturn
Net Resource Outturn	2	1,503,843	1,518,801	(14,958)	1,915,239
Non-supply income (CFERs)	5	(643,416)	(7,036)	(636,380)	(488,070)
Non-supply Expenditure – National Insurance Fund expenditure (RPS)	11, 28.4	391,918	359,280	32,638	173,772
Royal Mail and BNFL Cost of Capital credit		(145,600)	–	(145,600)	(17,920)
<b>*Net Operating Cost</b>		<b>1,106,745</b>	<b>1,871,045</b>	<b>(764,300)</b>	<b>1,583,021</b>

	2008-09 £000	(restated) 2007-08 £'000
<b>* Net Funding</b>		
NLF loans to Royal Mail income	(29,488)	(29,172)
NLF loans to Royal Mail expenditure	29,488	29,172
<b>Total</b>	<b>–</b>	<b>–</b>

#### The Redundancy Payments Service (RPS)

The Department is responsible for the approval and processing of claims under the Redundancy Payment Scheme, which is financed from the National Insurance Fund. Claims processed under the Scheme fall into two categories: RP1 (which covers redundancy pay, holiday pay and arrears of pay) and RP2 (pay in lieu of notice). The average payment for RP1 during 2008-09 was £2,660 (2007-08: £1,370). An average amount of £1,877 was paid during 2008-09 for RP2 (2007-08: £676).

There is associated income related to this Scheme arising from two sources:

- solvent Recovery – where monies are recovered over a period of up to three years from companies, setting up a standing order, that are continuing to trade but would not be able to do so if they had to meet the full costs of redundancy payments at that time; and
- insolvent Recovery – the Department becomes a creditor receiving a dividend if there are sufficient funds on the winding up of the company.

Expenditure in 2008-09 totalled £428 million (2007-08: £213 million) against income of £36 million (2007-08: £39 million), the net of which is disclosed in Note 11.

#### 3.2 Outturn against final Administration Budget

	Note	Budget	2008-09 £'000 Outturn	(restated) 2007-08 £'000 Outturn
Gross Administration Budget	2	314,807	263,246	479,929
Income allowable against the administration budget	13	(37,990)	(42,319)	(41,009)
<b>Net outturn against final Administration Budget</b>		<b>276,817</b>	<b>220,927</b>	<b>438,920</b>

## 4. Reconciliation of net resource outturn to net cash requirement

	Note	Estimate £'000	Outturn £'000	2008-09 Net Total Outturn compared with Estimate: saving/(excess) £'000
Resource Outturn	2	1,518,801	1,503,843	14,958
Capital:				
Acquisition of fixed assets	15,16	–	28,639	(28,639)
Investments	17,18,21,283	7,119,715	5,933,632	1,186,083
Non-operating A in A:				
Proceeds of fixed asset disposals	–	–	–	–
Investments	17,18,21,283	(6,450,000)	(5,825,751)	(624,249)
Accruals adjustments:				
Royal Mail and BNFL cost of capital credit	–	–	(145,600)	145,600
Non-cash items	12	(186,530)	(46,295)	(140,235)
Adjustment for non-cash income		–	3,711	(3,711)
Changes in working capital other than cash	–	402,652	(89,063)	491,715
Changes in creditors falling due after more than one year	23	–	3,591	(3,591)
Royal Mail Interest capitalised	17	–	296	(296)
Use of provision	24	58,298	24,152	34,146
Use of Financial guarantee	25	–	84,070	(84,070)
<b>Net cash requirement</b>		<b>2,462,936</b>	<b>1,475,225</b>	<b>987,711</b>

## 5. Analysis of income payable to the Consolidated Fund

In addition to Appropriations-in-Aid, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics):

	Note	Income	Forecast 2008-09 £'000 <i>Receipts</i>	Income	Outturn 2008-09 £'000 <i>Receipts</i>
Operating income and receipts – excess A in A		–	–	260	260
Other operating income and receipts not classified as A in A	13	7,036	<i>7,036</i>	643,156	<i>641,575</i>
	26	<b>7,036</b>	<b><i>7,036</i></b>	<b>643,416</b>	<b><i>641,835</i></b>
Non-operating income and receipts – excess A in A		–	–	–	–
Other Non-operating income and receipts not classified as A in A		757,575	<i>757,575</i>	–	–
Other amounts collectable on behalf of the Consolidated Fund		90,000	<i>90,000</i>	262,380	<i>272,675</i>
<b>Total income payable to the Consolidated Fund</b>		<b>854,611</b>	<b><i>854,611</i></b>	<b>905,796</b>	<b><i>914,510</i></b>

The forecast is an estimate of the CFERs the Department expected to collect in 2008-09. However, CFERs do not form part of the Departmental Supply Estimate and are not disclosed in the Statement of Parliamentary Supply.

A breakdown of other amounts payable to the Consolidated Fund is as follows:

	2008-09 £'000	(restated) 2007-08 £'000
Launch Investment levies received	96,457	128,114
Universal banking contributions	1,525	34,625
Companies House late filing penalties <sup>1</sup>	50,167	42,800
OFCOM Wireless Telegraphy Act <sup>1</sup>	107,493	106,165
Royal Mail <sup>1</sup>	6,640	6,320
UKAEA <sup>1</sup>	–	34,900
Other	98	1,479
<b>Total</b>	<b>262,380</b>	<b>354,403</b>

## 6. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2008-09 £'000	(restated) 2007-08 £'000
Operating income	13	(2,711,379)	(2,372,240)
Income outside of the supply process	13	29,488	29,172
<b>Gross income</b>		<b>(2,681,891)</b>	<b>(2,343,068)</b>
Less: Income authorised to be Appropriated-in-Aid <sup>2</sup>		2,038,475	1,854,998
<b>Operating income payable to the Consolidated Fund</b>	<b>5</b>	<b>(643,416)</b>	<b>(488,070)</b>

## 7. Non-operating income

	2008-09 £'000	2007-08 £'000
Post Office Limited working capital loan	(5,562,000)	(6,450,000)
Other investment income	(232,153)	(5,784)
Launch Investment income	(31,702)	(25,609)
Movement in Launch Investment debtors	104	(1,787)
<b>Non-operating income</b>	<b>(5,825,751)</b>	<b>(6,483,180)</b>

## 8. Non-operating income not classified as Appropriations in Aid (A in A)

There is no non-operating income not classified as A in A for 2008-09, nor was there any for 2007-08.

<sup>1</sup> The results of these bodies are not consolidated into the BERR Accounts

<sup>2</sup> This figure comes from the Departmental Estimate and is disclosed in the Statement of Parliamentary Supply.

## 9. Staff numbers and related costs

Staff costs comprise:

	2008-09 £'000					(restated) 2007-08 £'000
	Permanently employed staff	Others	Ministers	Special Advisers	Total	Total
Wages and salaries	187,767	8,865	267	163	197,062	187,088
Social security costs	15,323	45	28	15	15,411	14,725
Other pension costs	38,255	65	1	–	38,321	35,967
<b>Total</b>	<b>241,345</b>	<b>8,975</b>	<b>296</b>	<b>178</b>	<b>250,794</b>	<b>237,780</b>
Less recoveries in respect of outward secondments	–	(640)	–	–	(640)	(1,015)
<b>Total net costs</b>	<b>241,345</b>	<b>8,335</b>	<b>296</b>	<b>178</b>	<b>250,154</b>	<b>236,765</b>
<b>Of which: Core Department</b>	<b>131,829</b>	<b>2,892</b>	<b>296</b>	<b>178</b>	<b>135,195</b>	<b>129,437</b>

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit Scheme but the Department for Business, Enterprise and Regulatory Reform is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2008-09, employers' contributions of £38,225,722 were payable to the PCSPS (2007-08: £37,660,984) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands (the rates in 2007-08 were also between 17.1% and 25.5%). The Scheme's Actuary reviews employer contributions usually every four years following a full Scheme valuation. From 2009-10, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2008-09 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £87,023 (2007-08: £137,845) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (the rates in 2007-08 were also between 3% and 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of 0.8% (2007-08: also 0.8%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. There were £8,003 of contributions due to the partnership pension providers at the Balance Sheet date, but there were no contributions prepaid at that date.

In 2008-09, 4 persons (2007-08: 3 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £8,908 (2007-08 £18,727).

*Average number of persons employed*

The average number of whole-time equivalent persons employed during the year was as follows. These figures include those working in the Department as well as in Agencies and other bodies included within the Consolidated Departmental Resource Accounts.

Objective	Permanent staff	Others	Ministers	Special Advisers	2008-09	(restated)
					Number	2007-08
					Total	Total
Promoting the creation and growth of business	1,038.7	79.4	–	–	1,118.1	1,033.7
Ensuring better regulation	85.0	11.0	–	–	96.0	88.0
Delivering free and fair markets	3,642.2	621.2	–	–	4,263.4	4,147.8
Ensuring that Government acts as an effective shareholder	47.8	7.0	–	–	54.8	43.5
Professional support, capability and infrastructure	1,018.1	75.9	5.1	3.0	1,102.1	1,126.6
<b>Total</b>	<b>5,831.8</b>	<b>794.5</b>	<b>5.1</b>	<b>3.0</b>	<b>6,634.4</b>	<b>6,439.6</b>
<b>Of which: Core Department</b>	<b>2,563.8</b>	<b>204.5</b>	<b>5.1</b>	<b>3.0</b>	<b>2,776.4</b>	<b>2,665.6</b>

*Staff Debtors*

At 31 March 2009: 1,070 (31 March 2008: 1,405) employees of the Department and its consolidated bodies were in receipt of advances of travel and housing loans, repayable to the employer. The staff debtor amount is disclosed in Note 20.

## 10. Other administration costs

Other administration costs comprise:

	Note	2008-09 £'000		(restated) 2007-08 £'000	
		Core Department	Consolidated	Core Department	Consolidated
Rentals under operating leases:					
Plant and Machinery		1,101	1,131	1,018	1,029
Other		29,449	30,671	35,695	36,644
Interest charges		–	–	3	3
PFI service charge	32	26,778	26,778	26,622	26,622
Research and Development		25	25	2	2
Travel and subsistence		8,174	8,706	6,752	7,127
IT support		6,212	6,219	5,737	5,738
Training and other staff costs		8,066	8,142	8,686	8,924
Professional services		34,390	33,872	23,309	23,704
Accommodation		22,293	24,018	22,735	23,868
Other		7,913	12,093	4,885	9,371
		<b>144,401</b>	<b>151,655</b>	<b>135,444</b>	<b>143,032</b>
<b>Non-Cash Items:</b>					
Depreciation	15,16	11,915	11,915	7,111	7,111
Revaluation / impairment	15,16	–	–	(12)	(12)
(Profit)/Loss on disposal of fixed assets		4	4	37	37
Notional cost of capital charges/(credit)		(2,844)	(2,844)	(2,408)	(2,408)
Auditors' remuneration		234	234	240	240
Specific bad debt write off		8	8	18	18
Provision for bad debts		(138)	(138)	(241)	(241)
Provisions provided for in year		(40,978)	(40,978)	199,103	199,103
Unwinding of discount on provisions	24,25	4,638	4,638	(34)	(34)
<b>Total non-cash</b>		<b>(27,161)</b>	<b>(27,161)</b>	<b>203,814</b>	<b>203,814</b>
<b>Total other administration costs</b>		<b>117,240</b>	<b>124,494</b>	<b>339,258</b>	<b>346,846</b>

The auditors' remuneration represents the notional cost of the audit of the financial statements, which was £220,000 and the cost of the review of the restatement of balances under International Financial Reporting Standards (IFRS), which was £13,500, carried out by the Comptroller and Auditor General. There were no fees in respect of non-audit work.

## 11. Programme costs

	Note	2008-09 £'000		(restated) 2007-08 £'000	
		Core Department	Consolidated	Core Department	Consolidated
Grant in Aid		2,074,382	2,027,070	2,019,662	1,974,539
Other grants		721,480	713,580	940,267	934,702
Interest on NLF loans on-lent to Royal Mail Holdings plc		29,488	29,488	29,172	29,172
Interest on Bank loans and overdraft		5	5	9	9
PFI Service Charges	32	536	4,602	597	6,128
Net loss (gain) on foreign exchange		(228)	(228)	(23)	(23)
Rentals under operating leases – plant and machinery		2	882	5	721
Charges under finance lease		–	179	–	192
Research and development		1,380	1,811	694	927
Redundancy Payments Service – National Insurance Fund		391,918	391,918	173,772	173,772
Other		135,576	200,673	112,435	154,781
Auditors' remuneration		–	40	–	32
		<b>3,354,539</b>	<b>3,370,020</b>	<b>3,276,590</b>	<b>3,274,952</b>
<b>Non-cash items</b>					
Depreciation – tangible fixed assets	15	–	2,641	–	2,455
Amortisation – intangible fixed assets	16	–	524	–	446
Revaluation / impairment		–	397	–	109
Loss on disposal of fixed assets		–	18	–	36
Investment impairment		23,516	23,516	31,154	31,154
Specific bad debt write off		1,846	21,638	65	15,879
Bad Debt Provision – Financial Guarantee		3,770	3,770	–	–
Notional cost of capital charges/(credit)		(117,687)	(116,469)	12,985	13,734
Auditors' remuneration		–	54	–	37
Provisions:					
Provided for in year		180,560	181,164	73,629	76,734
Unwinding of discount on provisions	24,25	9,648	9,618	10,097	10,134
Premium income debtor unwinding of discount		(636)	(636)	–	–
Launch Investment – unwinding of discount	18	(52,779)	(52,779)	(54,020)	(54,020)
<b>Total non-cash</b>		<b>48,238</b>	<b>73,456</b>	<b>73,910</b>	<b>96,698</b>
<b>Total programme expenditure</b>		<b>3,402,777</b>	<b>3,443,476</b>	<b>3,350,500</b>	<b>3,371,650</b>

The auditors remuneration of £40,000 for Acas represents the cost of the audit of their financial statements (£36,000) and the cost of the review of balances as at 1 April 2008 under International Financial Reporting Standards (£4,000), carried out by the Comptroller and Auditor General.

The auditors' remuneration for The Insolvency Service is notional and represents the cost of the audit of their financial statements (£39,500) and the cost of the review of balances as at 1 April 2008 under International Financial Reporting Standards (£15,000), carried out by the Comptroller and Auditor General.

## 12. Administration and Programme non-cash costs summary

The total for non cash costs in Note 10 (other administration costs) and Note 11 (programme costs) is as follows:

	Note	2008-09 £'000		(restated) 2007-08 £'000	
		Core Department	Consolidated	Core Department	Consolidated
Auditors' remuneration		234	288	240	277
Depreciation / amortisation		11,915	15,080	7,111	10,012
Loss / (profit) on the disposal of fixed assets		4	22	37	73
Revaluation / impairments		23,516	23,913	31,142	31,251
Bad debt provision movement		(138)	(138)	(241)	(241)
Bad debt provision – Premium debtor		3,770	3,770	–	–
Specific bad debt write off		1,854	21,646	83	15,897
Notional cost of capital charge/credit		(120,531)	(119,313)	10,577	11,326
Premium income debtor unwinding of discount		(636)	(636)	–	–
Launch Investment – unwinding of discount		(52,779)	(52,779)	(54,020)	(54,020)
Movement on provisions		153,868	154,442	282,795	285,937
<b>Total</b>	4, 28.1	<b>21,077</b>	<b>46,295</b>	<b>277,724</b>	<b>300,512</b>

## 13. Income

	Note	2008-09 £'000		(restated) 2007-08 £'000	
		Core Department	Consolidated	Core Department	Consolidated
<b>Administration Income:</b>					
Fees and charges received from external customers		11,068	19,322	15,867	24,616
Recovery/rent/rates/services		22,882	22,882	14,797	14,797
Other allowable within the Administration cost limit		115	115	1,596	1,596
<b>Total Administration Income (A in A)</b>		<b>34,065</b>	<b>42,319</b>	<b>32,260</b>	<b>41,009</b>
<b>Programme Income:</b>					
Funding from Other Government Departments for Regional Development Agencies/London Development Agency		1,711,510	1,711,510	1,746,174	1,746,174
Other income from Other Government Departments		–	–	16	16
European Union Funding		153	153	67	67
Other		119,189	281,042	143,418	281,395
Amortisation of premium income		3,711	3,711	–	–
<b>Programme Income (A in A)</b>		<b>1,834,563</b>	<b>1,996,416</b>	<b>1,889,675</b>	<b>2,027,652</b>
<b>Programme Income outside of the supply process</b>					
Interest on NLF loans on-lent to Royal Mail Holdings plc		29,488	29,488	29,172	29,172
Consolidated Fund Extra Receipts (CFERs)		11,156	11,156	14,407	14,407
Special Dividend (BNFL plc)		632,000	632,000	260,000	260,000
<b>Total Programme Income</b>		<b>2,507,207</b>	<b>2,669,060</b>	<b>2,193,254</b>	<b>2,331,231</b>
<b>Total Operating Income</b>		<b>2,541,272</b>	<b>2,711,379</b>	<b>2,225,514</b>	<b>2,372,240</b>

Total income allowable against the Estimate, as shown in the Statement of Parliamentary Supply, amounted to £2,038,475.

## 14. Analysis of net operating cost by spending body

	Note	Estimate	2008-09 £'000 Outturn	(restated) 2007-08 £'000 Outturn
<b>Spending body:</b>				
Core Department		1,418,256	1,016,608	1,501,439
Advisory, Conciliation and Arbitration Service		41,062	45,893	42,797
Insolvency Service		59,483	44,244	38,785
<b>Net operating cost</b>		<b>1,518,801</b>	<b>1,106,745</b>	<b>1,583,021</b>

## 15. Tangible fixed assets

	Land and Buildings £'000	Leasehold Improvements £'000	Office Machinery £'000	Computer Equipment £'000	Furniture, Fixtures and Fittings £'000	Plant and Machinery £'000	Assets under Construction £'000	Total £'000
<b>Cost or valuation</b>								
(restated)								
At 1 April 2008	1,651	53,786	1,857	13,395	10,550	1,970	34,049	117,258
Additions	–	2,260	546	614	151	272	24,488	28,331
Disposals	–	(13)	(125)	(425)	(242)	(28)	–	(833)
Reclassifications	–	6,331	–	13,178	293	–	(19,392)	410
Revaluation	(171)	516	44	(395)	16	1	–	11
<b>At 31 March 2009</b>	<b>1,480</b>	<b>62,880</b>	<b>2,322</b>	<b>26,367</b>	<b>10,768</b>	<b>2,215</b>	<b>39,145</b>	<b>145,177</b>
<b>Depreciation</b>								
(restated)								
At 1 April 2008	632	19,019	1,155	6,546	7,700	1,703	–	36,755
Charged in year	75	6,391	245	6,285	1,411	149	–	14,556
Disposals	–	(11)	(124)	(417)	(231)	(28)	–	(811)
Reclassifications	–	–	–	–	–	–	–	–
Revaluation	(707)	411	(22)	(56)	8	–	–	(366)
<b>At 31 March 2009</b>	<b>–</b>	<b>25,810</b>	<b>1,254</b>	<b>12,358</b>	<b>8,888</b>	<b>1,824</b>	<b>–</b>	<b>50,134</b>
<b>Net book value at 31 March 2009</b>	<b>1,480</b>	<b>37,070</b>	<b>1,068</b>	<b>14,009</b>	<b>1,880</b>	<b>391</b>	<b>39,145</b>	<b>95,043</b>
Net book value at 31 March 2008	1,019	34,767	702	6,849	2,850	267	34,049	80,503
<b>Asset financing</b>								
Owned	1,480	37,070	1,068	11,527	1,880	391	39,145	92,561
Finance leases	–	–	–	2,482	–	–	–	2,482
<b>Net book value at 31 March 2009</b>	<b>1,480</b>	<b>37,070</b>	<b>1,068</b>	<b>14,009</b>	<b>1,880</b>	<b>391</b>	<b>39,145</b>	<b>95,043</b>

*Analysis of tangible fixed assets*

The net book value of tangible fixed assets comprises:

	Land and Buildings £'000	Leasehold Improvements £'000	Office Machinery £'000	Computer Equipment £'000	Furniture, Fixtures and Fittings £'000	Plant and Machinery £'000	Assets under Construction £'000	Total £'000
<b>Core Department March 2009</b>	1,480	33,337	49	11,564	1,458	121	23,220	71,229
<b>Consolidated Bodies March 2009</b>	–	3,733	1,019	2,445	422	270	15,925	23,814
Core Department March 2008 (restated)	1,019	32,024	65	3,833	2,448	168	29,622	69,179
Consolidated Bodies March 2008	–	2,743	637	3,016	402	99	4,427	11,324

The total fixed asset additions as disclosed in Notes 15 and 16, amounting to, £28,639 can be reconciled to the cash payments made during the year as follows:

	Note	£'000
Cash payments made to purchase fixed assets during 2008-09 for:		
Tangible fixed assets	28.2	27,354
Intangible fixed assets	28.2	308
		<b>27,662</b>
Movement in creditors		(288)
Accrued Expenditure		1,265
Additions in fixed asset notes	15,16	<b>28,639</b>

*15.1 The net book value of land and buildings comprises:*

	31 March 2009 £'000	31 March 2008 £'000
	Land and Buildings	Land and Buildings
Freehold	1,480	1,019
<b>Total</b>	<b>1,480</b>	<b>1,019</b>

The Department has one freehold property:

- The Core Store at 36 Gilmerton Road, Edinburgh was revalued to £1.48 million in March 2009 by DVS, the commercial arm of the Valuation Office Agency (VOA), on an existing use basis. On 1 August 2005 the Core Store was leased to the British Geological Survey (BGS) for the sum of £1 per annum for a term of ten years. BGS is a research centre wholly owned by the Natural Environment Research Council (NERC), which is funded by the Department for Innovation, Universities and Skills (DIUS) through Grant-in-Aid.

All professional valuations have been made in accordance with the Royal Institute of Chartered Surveyors guidance.

## 16. Intangible Fixed Assets

	2008-09 £'000	2007-08 £'000
	Total	Total
<b>Cost or Valuation</b>		
At 1 April	3,282	1,623
Additions	308	1,688
Donations	–	–
Disposals	–	–
Transfers	(409)	–
Revaluation	(99)	(29)
<b>At 31 March</b>	<b>3,082</b>	<b>3,282</b>
<b>Amortisation</b>		
At 1 April	1,670	1,236
Charged in year	524	446
Disposals	–	–
Transfers	–	–
Revaluation	(19)	(12)
<b>At 31 March</b>	<b>2,175</b>	<b>1,670</b>
<b>Net Book Value</b>		
At 31 March	<b>907</b>	<b>1,612</b>

*Analysis of intangible fixed assets*

The net book value of intangible fixed assets, all of which relate to the consolidated bodies, comprise of software licences.

## 17. Fixed investments and loans in public bodies

	Ordinary Shares £'000	Public Dividend Capital £'000	Other Loans and Investments £'000	(restated) Total £'000
<b>Balance at 1 April 2007</b>	<b>430,373</b>	<b>15,889</b>	<b>507,186</b>	<b>953,448</b>
Additions	50	7,400	–	7,450
Disposals	–	–	(5,186)	(5,186)
Repayments	–	–	–	–
Impairment	–	(7,400)	–	(7,400)
<b>Balance at 31 March 2008</b>	<b>430,423</b>	<b>15,889</b>	<b>502,000</b>	<b>948,312</b>
<b>Balance at 1 April 2008</b>	<b>430,423</b>	<b>15,889</b>	<b>502,000</b>	<b>948,312</b>
Additions	–	6,823	534,500	541,323
Disposals	–	–	–	–
Repayments	–	–	(232,000)	(232,000)
Interest capitalised	–	–	296	296
Impairment	–	(6,823)	–	(6,823)
<b>Balance at 31 March 2009</b>	<b>430,423</b>	<b>15,889</b>	<b>804,796</b>	<b>1,251,108</b>

### 17.1 Ordinary Shares

	Value at 1 April 2008 £'000	Additions £'000	Disposals £'000	Revaluation £'000	Value at 31 March 2009 £'000
BNFL plc shares	50	–	–	–	50
Royal Mail Holdings plc shares	430,323	–	–	–	430,323
CfEL	50	–	–	–	50
<b>Total</b>	<b>430,423</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>430,423</b>

In accordance with the FReM, ordinary shares are shown at historical cost less any provision for impairment.

The Government holds 50,000 ordinary shares in BNFL plc at a nominal value of £1 each. BNFL plc was set up to hold those parts of BNFL that did not pass to the Nuclear Decommissioning Authority (NDA), including, inter alia, British Nuclear Group Sellafield Limited (formerly British Nuclear Fuels). The Secretary of State for Business, Enterprise and Regulatory Reform owns 49,999 ordinary shares and the Treasury Solicitor holds one ordinary share.

The Government owns 100% of the shares in Royal Mail Holdings plc. The Secretary of State for Business, Enterprise and Regulatory Reform owns 50,004 ordinary shares and the Treasury Solicitor holds one ordinary share. The Secretary of State for Business, Enterprise and Regulatory Reform also owns one Special Share, relating to certain areas for which Special Shareholder's consent is required (see Note 17.4).

The independent Hooper review highlighted the need for significant changes to Royal Mail in terms of regulatory reform, resolving the pension deficit and bringing in a strategic partner. Government's stated policy is to implement those changes when market conditions allow. The Department undertakes an annual review of the value of its holding in Royal Mail, and has additionally this year sought valuations from investment banks and potential buyers of a minority stake, as part of the response to the Hooper Review.

Capital for Enterprise Limited (CfEL) was established in 2007-08 to manage the Department's equity investment fund and loan guarantee programmes. CfEL commenced full business activity on 1 April 2008. The Department owns 49,901 shares and provides cash funding as Grant-in-Aid. The Small Firms Loan Guarantee Scheme was closed to new applications during 2008-09 and has been replaced by the Enterprise Finance Guarantee Scheme (EFGS) which is also managed by CfEL. In February 2009 CfEL created two wholly owned subsidiaries: Capital for Enterprise GP Ltd (CfE GP) and also the Capital for Enterprise Fund Managers Ltd (CfE FM Ltd) to facilitate co-investment with the private sector in the new Capital for Enterprise Fund.

### 17.2 Public Dividend Capital (PDC)

	Value at 1 April 2008 £'000	Additions £'000	Redemptions £'000	Revaluation £'000	Impairment £'000	Value at 31 March 2009 £'000
British Shipbuilders	–	6,823	–	–	(6,823)	–
Companies House	15,889	–	–	–	–	15,889
<b>Total</b>	<b>15,889</b>	<b>6,823</b>	<b>–</b>	<b>–</b>	<b>(6,823)</b>	<b>15,889</b>

The British Shipbuilders Corporation requires equity injections to maintain its solvency. The Department makes payments of Public Dividend Capital (PDC) to allow the Corporation to discharge its liabilities under the Aircraft and Shipbuilding Industries Act 1977.

Consequently, the PDC has been fully impaired. The Department expects to continue to make equity injections to maintain the Corporation's solvency, in accordance with the statement to Parliament of July 1988. The historic cost of PDC payments made to 31 March 2009 is £1,617,562,000 (£1,610,739,000 at 31 March 2008).

### 17.3 Share of net assets and results of bodies outside the consolidation boundary

The Department is required to disclose, for each investment which represents an interest in a subsidiary undertaking, an associate or joint venture which falls outside the Departmental consolidation boundary, the Department's share of the net assets and results of those bodies. This information is summarised below.

	British Shipbuilders	Companies House	British Nuclear Fuels Ltd	Royal Mail Holdings plc	CfEL Ltd
2008-09	£m	£m	£m	£m	£m
Assets	3	69	1,411	5,915	0.35
Liabilities	(124)	(15)	(466)	(10,571)	(0.28)
Net assets/(liabilities)	(121)	54	945	(4,656)	0.07
Turnover	–	67	1,801	9,410	2.00
Surplus/profit (deficit/loss) for the year	(9)	1	(127)	(229)	0.02

	British Shipbuilders	Companies House	British Nuclear Fuels Ltd	Royal Mail Holdings plc	
2007-08	£m	£m	£m	£m	
Assets	1	71	1,960	6,354	
Liabilities	(88)	(12)	(735)	(6,595)	
Net assets/(liabilities)	(87)	59	1,225	(241)	
Turnover	–	72	2,938	9,238	
Surplus/profit (deficit/loss) for the year	(9)	3	2,225	135	

#### Notes:

- For 2008-09, British Shipbuilders information is derived from their 2008-09 draft annual accounts for audit. For 2007-08, the information was derived from the 2006-07 audited Annual Accounts, as their 2007-08 information was not available. British Shipbuilder's Accounts were prepared in accordance with UK GAAP.
- Companies House information is derived from their 2008-09 draft Annual Accounts. For 2007-08, the information was derived from their audited annual accounts for 2006-07, as their 2007-08 information was not available. Companies House Accounts were prepared in accordance with the requirements of the *Government Financial Reporting Manual (FReM)*.
- British Nuclear Fuels Limited (BNFL) information is derived from their 2007-08 audited Annual Accounts, as their 2008-09 information was not available. For 2007-08, the information was derived from their 2006-07 audited Annual Accounts, as their 2007-08 information was not available. BNFL's Accounts were

prepared in accordance with UK GAAP. BNFL's Accounts were prepared in accordance with UK GAAP and on a break-up basis reflecting the impending cessation of substantive trading of the Group within 12 months of the Balance Sheet date.

- Royal Mail Holdings plc information is derived from their 2008-09 audited Annual Accounts. For 2007-08, the information was derived from their 2007-08 audited Annual Accounts. Royal Mail's Accounts were prepared in accordance with International Financial Reporting Standards (IFRS).
- Capital for Enterprise Limited information is derived from their 2008-09 draft Annual Accounts. Capital for Enterprise Limited commenced trading on 1 April 2008 and so there is no comparable accounting data for 2007-08. The accounts were prepared in accordance with UK GAAP.

#### 17.4 Special Shares

In addition, the Secretary of State holds one Special Share in each of the entities listed below. The list is a summary and does not purport to be a comprehensive record of the terms of each respective shareholding. Further details can be obtained from the annual report and financial statements of each body.

The Department does not recognise the special or 'golden' shares on its Balance Sheet in accordance with paragraph 7.4.45 (e) of the FReM.

Body in which Share is held and type and value of Share	Terms of Shareholding
<i>Royal Mail Holdings plc</i> <i>£1 Special Rights Preference Share</i>	<ul style="list-style-type: none"> <li>• created in January 2001;</li> <li>• it may be redeemed at any time by the shareholder;</li> <li>• the consent of the shareholder is required for a number of decisions, including: <ul style="list-style-type: none"> <li>– appointing the Chairman of the company, and the remainder of the Board (after consulting the Chairman);</li> <li>– setting (and approving any material changes in) the remuneration packages of the Directors;</li> <li>– borrowing in excess of certain pre-set limits (as agreed with the HM Treasury);</li> <li>– adopting and implementing the company's strategic plan;</li> <li>– disposing of substantial assets of the business or any "relevant subsidiaries" or substantial parts of the business of such subsidiaries;</li> <li>– voluntary winding-up of any subsidiary; and</li> <li>– varying certain of the company's Articles of Association, including the rights of the special shareholder.</li> </ul> </li> </ul>

Body in which Share is held and type and value of Share	Terms of Shareholding
<i>British Aerospace plc £1 Special Rights Preference Share</i>	<ul style="list-style-type: none"> <li>created in 1985 (but subsequently amended);</li> <li>no time limit;</li> <li>provides for a 15% limit on any individual foreign shareholding, or group of foreign shareholders acting in concert, in the company;</li> <li>requires a simple majority of the Board and the Chief Executive to be British; and</li> <li>requires any Executive Chairman to be British and, if both the Chairman and Deputy Chairman are non-executives, requires at least one of them to be British.</li> </ul>
<i>Rolls Royce Group plc £1 Special Rights Non-Voting Redeemable Preference Share</i>	<ul style="list-style-type: none"> <li>created in 1987 (but subsequently amended);</li> <li>no time limit;</li> <li>provides for a 15% limit on any individual foreign shareholding, or group of foreign shareholders acting in concert, in the company;</li> <li>requires a simple majority of the Board, including the Chief Executive and any Executive Chairman, to be British;</li> <li>allows the appointment of a non-British Non-Executive Chairman;</li> <li>provides for a veto over the material disposal of assets; and</li> <li>provides for a veto of any voluntary winding up.</li> </ul>

Special shares in British Energy and the Nuclear Liabilities Fund Ltd transferred to the new Department of Energy and Climate Change as a result of the Machinery of Government change.

### 17.5 Other investments and loans

	Value at 1 April 2008 £'000	Additions £'000	Redemption £'000	Interest capitalised £'000	Impairment £'000	Value at 31 March 2009 £'000
Companies House	–	2,500	–	–	–	2,500
Royal Mail Holdings plc NLF Loans	500,000	232,000	(232,000)	–	–	500,000
Royal Mail Shareholder Loan	–	300,000	–	296	–	300,296
Other loans	2,000	–	–	–	–	2,000
<b>Total</b>	<b>502,000</b>	<b>534,500</b>	<b>(232,000)</b>	<b>296</b>	<b>–</b>	<b>804,796</b>

#### *Companies House loan*

During 2008-09 BERR advanced the sum of £4.5 million to Companies House as an interest bearing loan, repayable in full in six monthly instalments, by 2010-11, in accordance with the loan repayment schedule. The loan was issued under the Companies

House Trading Fund Order 1991 to assist Companies House's capital investment programme. £2 million will be repaid during 2009-10 and is shown in Note 21.

#### *Royal Mail shareholder loan*

On 17 March 2009, the Department made available to Royal Mail a £300 million shareholder loan, under the terms of the Subordinated Credit Facility Deed dated 19 March 2007. The loan has a maturity date of 19 March 2016. Until then interest accruing on the loan will be capitalised once a year.

In accordance with the FReM, loans to Royal Mail are valued at historic cost. Further details on the Royal Mail Holdings plc NLF loans facility can be found in the Financial Overview section on page 133.

## 18. Other financial assets

	Launch Investments £'000	Other Loans and Investments £'000	(Restated) Total £'000
<b>Balance at 1 April 2007</b>	<b>1,543,433</b>	<b>44,759</b>	<b>1,588,192</b>
Additions	–	21,669	21,669
Disposals	–	–	–
Repayments	–	(598)	(598)
Income	(153,723)	–	(153,723)
Revaluation	64,248	–	64,248
Amortisation	54,020	–	54,020
Impairment	–	(9,423)	(9,423)
<b>Balance at 31 March 2008</b>	<b>1,507,978</b>	<b>56,407</b>	<b>1,564,385</b>
<b>Balance at 1 April 2008</b>	<b>1,507,978</b>	<b>56,407</b>	<b>1,564,385</b>
Additions	–	21,309	21,309
Disposals	–	–	–
Repayments	–	(153)	(153)
Income	(128,159)	–	(128,159)
Revaluation	40,705	4,781	45,486
Amortisation	52,779	–	52,779
Impairment	–	(16,693)	(16,693)
<b>Balance at 31 March 2009</b>	<b>1,473,303</b>	<b>65,651</b>	<b>1,538,954</b>

Coal Pension Investments, disclosed in the 2007-08 Accounts, were transferred to the new Department of Energy and Climate Change as a result of a Machinery of Government Change.

### Repayable Launch Investments

The Department has determined in accordance with FRS 26 that Repayable Launch Investments are to be classified as 'available for sale financial assets' and measured at fair value.

The Department, under the 1992 Civil Aviation Act, provides support to companies for a proportion of eligible design and development costs on aerospace projects. This support is by way of Repayable Launch Investments. Each project supported is covered by separate contractual terms and conditions. Under these contracts, periodic repayments become due when products are sold. The portfolio of existing investments is valued twice annually and the valuations are based on estimated annual sales of the products over their estimated marketable life. Sales forecasts are reviewed and revised when each investment valuation is undertaken.

#### *Measurement and carrying values*

The Repayable Launch Investments are initially recognised at fair value, which is the transaction price. After initial recognition, the value is the discounted forecast value of future income streams. The value of the future income streams is based on the Department's proportion of market forecasts of supported product sales. The estimates are derived from production output information from the manufacturers; worldwide aerospace industry statistics, provided by the Forum of European Aerospace Market Analysts (FEAMA); and the Department's aerospace market analyst. The forecast income streams are adjusted by inflation (2008-09: 2.75%, 2007-08: 2.5%) and are discounted for the time value of money using HM Treasury's effective interest rate for financial assets of 3.5%. The Department adopts a conservative approach to its estimation of product sales taking into account a wide range of risks that could delay production or sales, reduce the marketability of the product, or delay, or reduce the value of, income to the Department.

The Department considers that the carrying value is a reasonable approximation of the fair value of Repayable Launch Investments. The historic cost valuation of the portfolio at 31 March 2009 was £966 million (31 March 2008: £998 million).

#### *Risks*

The Department is subject to credit risk as the aerospace companies may not be able to successfully market their products resulting in the Department not being able to recover its investment. Delays in planned production or sales, could mean that the Department may not recover its investment within the expected time period. The Department minimises the risk, by carrying out a full evaluation of each business case submitted for Launch Investment support. In addition, the Department monitors delivery statistics to ensure that it receives the return on its investments when they are due.

The Department is also exposed to other market risks such as: downward movement in the economy in general, or the aerospace industry in particular, exchange rate risks, oil prices and pandemics such as SARS and Swine Flu. These risks could result in a decrease in demand or delays in sales of the product, which may adversely impact the value of the income received by the Department.

Further information on the Department's exposure to financial instrument risk is included at Note 34.

### 18.1 Other Investments and Loans

	Value at 1 April 2008	Additions	Redemption	Revaluation	Impairment	Value at 31 March 2009
	£'000	£'000	£'000	£'000	£'000	£'000
Regional Venture Capital Funds	21,511	675	–	–	(16,225)	5,961
Early Growth Funds	16,233	2,641	–	–	(1,082)	17,792
Community Development Venture Funds	8,103	697	(148)	4,781	(2,114)	11,319
Enterprise Capital Funds	10,560	17,296	(5)	–	2,728	30,579
<b>Total</b>	<b>56,407</b>	<b>21,309</b>	<b>(153)</b>	<b>4,781</b>	<b>(16,693)</b>	<b>65,651</b>

#### Venture Capital Funds

The Department has determined in accordance with FRS 26 that the Venture Capital Funds are to be classified as 'available for sales financial assets' and measured at fair value.

The Department's investment in the Venture Capital Funds supports private sector led venture capital to stimulate private investment into early stage businesses as follows:

##### *Regional Venture Capital Funds (RVCF)*

RVCFs are an England-wide programme to provide risk capital in amounts up to £500,000 to small and medium size enterprises (SMEs) that demonstrate growth potential. The funds are managed by experienced venture capital professionals, making commercial returns. The objective was to have at least one viable commercial fund in each of the nine English regions, which increase the amount of equity gap venture capital available to SMEs and which does not displace any existing funding activity in this sector. All nine funds are operational and making investments. The value of the funds at 31 March 2009 is £6 million (31 March 2008: £22 million).

In the event of erosion in the fund's capital base the Department's investment suffers first.

##### *Early Growth Funds (EGF)*

This programme was developed to encourage risk funding for start-ups and growth firms, to increase the availability of small amounts of risk capital of on average £50,000 for innovative and knowledge intensive businesses and businesses in other growth areas. Fund managers make all of the investment decisions and will be looking to make a commercial return on investments. The maximum initial investment is £100,000 and most will require a matched investment from a private sector investor. The value of the funds as at 31 March 2009 is £18 million (31 March 2008: £16 million)

##### *Community Development Venture Funds (CDVF)*

The CDVF, launched in 2002-03, is a £40 million venture capital fund aimed to widen and deepen the provisions of venture capital finance and entrepreneurial support to viable SMEs capable of growth that are located in, and have economic links with, the 25% most disadvantaged wards in England. Of the £40 million capital investment available to the fund, £20 million is Government investment, alongside private sector investors through pound for pound matched funding. The funds range of investment can be from £100,000 up to £2 million. The investment period is due to end in May 2009 and the fund will be wound up in May 2012 when all investments will be redeemed and the assets distributed

to investors. The value of the funds as at 31 March 2009 is £11 million (31 March 2008: £8 million).

#### *Enterprise Capital Funds (ECF)*

The ECF, first launched in 2006-07, was established to address a market weakness in the provision of equity finance to SMEs. Government funding is used alongside private sector funds to create funds that operate within the equity gap, targeting investments up to £2 million that have the potential to provide a commercial return. Eight funds have been awarded ECF status, with an additional fund becoming available later in 2009. The value of the funds at 31 March 2009 is £31 million (31 March 2008: £11 million).

#### *Measurement and carrying amounts*

The Venture Capital Funds are initially recognised at fair value, which is the transaction price. After initial recognition the carrying value is based upon the valuations prepared by the funds managers. They are taken from the most recent set of annual accounts for each of the funds and, where available, updated with interim fund manager valuations.

The Regional Venture Capital Funds (RVCF) are valued in accordance with the International Private Equity and Venture Capital Guidelines. The investments in the Early Growth Fund (EGF), the Community Development Venture Fund (CDVF) and the Enterprise Capital Fund (ECF) are valued by the fund managers. The fund managers are required to value the investee companies of the EGF and ECF programmes using the European Venture Capital Association valuation guidelines. The investments in the CDVF are valued using the British Venture Capital Association Guidelines.

The Department considers that the carrying value is a reasonable approximation of the fair value of these investments.

The Impairment of the Venture Capital Funds during 2008-09 of £17 million (2007-08: £9 million), considered a permanent diminution, is based upon a downward revaluation of the funds at 31 March 2009.

#### *Risks*

The Department is exposed to credit risk because the investee companies may not perform as expected and the Department may not recover its investment. The Department minimises the risk, by using Capital for Enterprise Limited (CfEL), an asset management business, and a delivery partner of the Department, to carryout a full evaluation of each business case submitted.

Further information on the Department's exposure to financial instrument risk is included in Note 34.

## 19. Stocks and work in progress

	2008-09 £'000		2007-08 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Stock	–	8	–	25
<b>Total</b>	<b>–</b>	<b>8</b>	<b>–</b>	<b>25</b>

## 20. Debtors

## 20.1 Analysis by type

	2008-09 £'000		(restated) 2007-08 £'000	
	Core Department	Consolidated	Core Department	Consolidated
<b>Amounts falling due within one year:</b>				
Trade debtors	42,748	164,752	33,203	114,779
Other debtors	142,681	142,373	110,243	108,161
DECC/DIUS resulting from MOG change	2,271	2,271	140,344	140,344
HM Revenue and Customs (VAT)	4,043	5,711	7,904	9,592
CFER debtors	20,956	20,956	29,966	29,966
Staff debtors	1,352	2,057	1,305	2,105
Prepayments and accrued income	114,543	113,231	105,287	110,683
	<b>328,594</b>	<b>451,351</b>	<b>428,252</b>	<b>515,630</b>
<b>Amounts falling due after more than one year:</b>				
Trade debtors	45,247	336	9,734	396
Other debtors	18,170	18,170	–	–
Deposits and advances	5	5	–	–
	<b>63,422</b>	<b>18,511</b>	<b>9,734</b>	<b>396</b>
<b>Total Debtors at 31 March</b>	<b>392,016</b>	<b>469,862</b>	<b>437,986</b>	<b>516,026</b>

## 20.2 Intra-Government Balances

	Amounts falling due within one year:		Amounts falling due after more than one year:	
	2008-09 £'000	(restated) 2007-08 £'000	2008-09 £'000	(restated) 2007-08 £'000
Balances with Other Central Government bodies	40,606	174,016	–	–
Balances with Local Authorities	9,375	10,063	–	–
Balances with NHS Trusts	140	116	–	–
Balances with Public Corporations and Trading Funds	92,579	32,776	–	–
<i>Subtotal: Intra-Government balances</i>	<i>142,700</i>	<i>216,971</i>	<i>–</i>	<i>–</i>
Balances with bodies external to Government	308,651	298,659	18,511	396
<b>Total debtors as at 31 March</b>	<b>451,351</b>	<b>515,630</b>	<b>18,511</b>	<b>396</b>

A prior period adjustment of £30 million has been made as an in year movement, which has resulted in a new debtor being included for the SFLGS premium income. Under FRS26, the SFLGS has been classified as a financial guarantee, which has required the unearned premium income to be included as a fee debtor, for the first time.

## 21. Current investments and loans in Public Bodies: current

	Balance as at 1 April 2008 £'000	Additions £'000	Disposals £'000	Revaluation £'000	Balance as at 31 March 2009 £'000
<b>Companies House loan</b>	–	2,000	–	–	<b>2,000</b>
<b>Post Office Limited loan</b>	390,000	5,369,000	(5,562,000)	–	<b>197,000</b>
<b>Total</b>	<b>390,000</b>	<b>5,371,000</b>	<b>(5,562,000)</b>	–	<b>199,000</b>

Coal Pension Investments, disclosed in the 2007-08 Accounts, transferred to the new Department of Energy and Climate Change as a result of the Machinery of Government change.

## 21.1 Companies House

During 2008-09 BERR advanced the sum of £4.5 million to Companies House. £2.5 million is due for repayment after more than one year. Further details are included in Note 17.

## 21.2 Post Office Limited

The Department has also made available to Post Office Limited (POL), through an agreement reached on 17 October 2003, a revolving loan facility based on commercial terms of up to £1.15 billion. This is to help the company fund its working capital requirements in branches. The package was agreed against the background of the migration of state benefits to a system of direct payment and the loss of pre-funding to POL from the Department for Work and Pensions, alongside a Government commitment that benefit recipients will still be able to collect their benefit, in cash and in full, from Post Office branches. POL began utilising this facility on 1 December 2003. The facility matures on 31 March 2011 by when any outstanding amounts will need to have been repaid. The outstanding balance on 31 March 2009 was £197 million.

## 22. Cash at bank and in hand

	2008-09 £'000		(restated) 2007-08 £'000	
	Core Department	Consolidated	Core Department	Consolidated
<b>Balance as at 1 April</b>	837,304	862,883	471,528	514,559
Net change in cash balances	255,378	242,223	365,776	348,324
<b>Balance as at 31 March</b>	<b>1,092,682</b>	<b>1,105,106</b>	<b>837,304</b>	<b>862,883</b>
<b>The following balances at 31 March were held at:</b>				
Offices of HM Paymaster General	1,092,168	1,095,903	836,691	845,616
Cash in hand and commercial banks	514	9,643	617	17,271
<b>Balance as at 31 March</b>	<b>1,092,682</b>	<b>1,105,546</b>	<b>837,308</b>	<b>862,887</b>
Less overdraft	–	(440)	(4)	(4)
<b>Total</b>	<b>1,092,682</b>	<b>1,105,106</b>	<b>837,304</b>	<b>862,883</b>

## 23. Creditors

### 23.1 Analysis by type

	Note	Core Department	2008-09 £'000 Consolidated	Core Department	(restated) 2007-08 £'000 Consolidated
<b>Amounts falling due within one year:</b>					
Other taxation and social security		28	28	63	63
Trade creditors		6,375	6,327	9,391	9,391
Bank overdraft		–	440	4	4
Other creditors		21,305	24,578	22,837	24,814
Finance leases		–	956	–	739
Accruals and deferred income		150,756	193,270	134,525	182,767
Amounts issued from the Consolidated Fund for Supply but not spent at year end		977,168	977,168	507,014	507,014
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:					
Received		120,832	120,832	349,860	349,860
Receivable		20,956	20,956	29,966	29,966
Other Consolidated Fund extra receipts		5,627	5,627	6,009	6,009
		<b>1,303,047</b>	<b>1,350,182</b>	<b>1,059,669</b>	<b>1,110,627</b>
<b>Amounts falling due after more than one year:</b>					
Trade creditors		–	–	–	666
Accruals and deferred income		36,022	36,021	38,406	38,406
Finance leases		–	1,215	–	1,755
NLF loans		500,000	500,000	500,000	500,000
Consolidated Fund Extra Receipts over one year due to be paid to the Consolidated Fund		1,481	1,481	–	–
		<b>537,503</b>	<b>538,717</b>	<b>538,406</b>	<b>540,827</b>
<b>Total creditors at 31 March</b>		<b>1,840,550</b>	<b>1,888,899</b>	<b>1,598,075</b>	<b>1,651,454</b>

### 23.2 Intra-Government Balances

	Amounts falling due within one year:		Amounts falling due after more than one year:	
	2008-09 £'000	(restated) 2007-08 £'000	2008-09 £'000	(restated) 2007-08 £'000
Balances with Other Central Government bodies	1,185,144	980,494	501,481	500,000
Balances with Local Authorities	10,992	11,253	–	–
Balances with NHS Trusts	36	45	–	–
Balances with Public Corporations and Trading Funds	64,887	1,865	–	–
<i>Subtotal: Intra-Government balances</i>	<i>1,261,059</i>	<i>993,657</i>	<i>501,481</i>	<i>500,000</i>
Balances with bodies external to Government	89,123	116,970	37,236	40,827
<b>Total creditors at 31 March</b>	<b>1,350,182</b>	<b>1,110,627</b>	<b>538,717</b>	<b>540,827</b>

## 24. Provisions for Liabilities and Charges

	Core Department						
	UKAEA Restructuring £'000	UKAEA Decommissioning £'000	Early Departure Costs £'000	British Shipbuilders £'000	Onerous Leases £'000	Other £'000	Total £'000
<b>(Restated) Balance as at 1 April 2008</b>	29,326	166,412	30,071	115,558	193,186	7,082	541,635
Amortisation of one year's discount	645	3,661	662	2,542	4,251	10	11,771
Increase/(decrease) in provision	(787)	(15,670)	(660)	(101)	(41,863)	15,223	(43,858)
Expenditure in year	(3,063)	–	(9,261)	–	(8,175)	(926)	(21,425)
<b>Balance as at 31 March 2009</b>	<b>26,121</b>	<b>154,403</b>	<b>20,812</b>	<b>117,999</b>	<b>147,399</b>	<b>21,389</b>	<b>488,123</b>

	Consolidated						
	UKAEA Restructuring £'000	UKAEA Decommissioning £'000	Early Departure Costs £'000	British Shipbuilders £'000	Onerous Leases £'000	Other £'000	Total £'000
<b>(Restated) Balance as at 1 April 2008</b>	29,326	166,412	35,275	115,558	193,186	12,479	552,236
Amortisation of one year's discount	645	3,661	711	2,542	4,251	(70)	11,740
Increase/(decrease) in provision	(787)	(15,670)	(660)	(101)	(41,863)	15,828	(43,253)
Expenditure in year	(3,063)	–	(10,592)	–	(8,175)	(2,322)	(24,152)
<b>Balance as at 31 March 2009</b>	<b>26,121</b>	<b>154,403</b>	<b>24,734</b>	<b>117,999</b>	<b>147,399</b>	<b>25,915</b>	<b>496,571</b>

## 24.1 United Kingdom Atomic Energy Authority (UKAEA) Restructuring

Restructuring costs cover the continuing annual payments for staff that took early retirement primarily before the privatisation of AEA Technology in 1996 will continue until they reach retirement age. In addition, where former staff are entitled to enhancements, these will be paid for the duration of the pensioner's life.

## 24.2 UKAEA Decommissioning Provisions

BERR retains the liability to cover the costs of the decommissioning of the UKAEA Culham site and the 31 March 2009 balance reflects the estimated and discounted future costs for this.

Calculation of the liabilities is based on the technical assessments of the processes and methods likely to be used in the future to carry out the work. Estimates are derived using the latest technical knowledge and commercial information available and take account of current legislation, regulations and Government policy. Summary figures are built up by aggregating detailed estimates for individual liabilities. Allowance is also made for infrastructure costs, which are an appropriate share of running costs and other overhead costs attributable to plant and buildings. The calculation is re-assessed annually. Since much of the work will not be done until well into the future, there is considerable uncertainty as to the likely costs.

The time scale, over which it is estimated the discounted costs will need to be incurred, is as follows:

	2008-09 £m	2007-08 £m
Within one year	–	–
Between two to five years	–	5
Beyond five years	154	161
<b>Total</b>	<b>154</b>	<b>166</b>

### 24.3 Early Departure Costs

The Early Retirement provision provides for the future costs of staff departing under voluntary early retirement schemes.

The provision is required in order to meet pension enhancement and severance costs for staff departing under these Schemes, with the liabilities extending for up to ten years.

### 24.4 British Shipbuilders

British Shipbuilders has liabilities arising from personal injury to former employees resulting from exposure to asbestos during the course of their work. The Department has taken responsibility for the liabilities of the British Shipbuilders Corporation to the extent that they cannot be met from the residual funds of the Corporation. The undiscounted liability is £149 million (2007-08: £147 million). The current estimate is that the liabilities will extend for up to 20 years.

In the light of significant uncertainty associated with asbestos claims, there can be no guarantee that the assumptions used to estimate the provisions for the cost of resolving asbestos claims will be an accurate prediction of the actual cost that may be incurred and, as a result, the provisions are reviewed bi-annually by an actuary. Further information can be found in the British Shipbuilders' Accounts.

The time scale over which the discounted costs will need to be incurred is as follows:

	2008-09 £m	2007-08 £m
Within one year	7	7
Between two to five years	27	26
Beyond five years	84	83
<b>Total</b>	<b>118</b>	<b>116</b>

### 24.5 Onerous Leases

The Department, under its accommodation strategy, has determined that the 151 Buckingham Palace Road (BPR) and 10-18 Victoria Street (10VS) buildings are surplus to existing and future operating requirements. The lease for BPR does not expire until 2021 and the lease for 10VS does not expire until 2026. The Administration Programme Board oversaw the implementation of the strategy and also attempted to mitigate any potential losses through subletting against the existing head leases for the buildings. However, given market conditions at the time and future forecasts, neither the current nor future potential subleases recover the full costs incurred by BERR. The provision has been made for the discounted gross costs less the discounted expected income. A reduction in the overall level of the provision has been made to reflect the reduction in costs arising, under

some of the leases, due to the economic climate; to include an increase in income during 2009-10, due to the extension of existing tenancy arrangements; and to factor in that we are one year closer to lease expiry.

#### **24.6 Other**

This relates to a range of liabilities arising from the Department's normal business. It includes Agency provisions arising through consolidation and provisions for various minor other Departmental Programmes and Administration costs.

##### *Trawlermen Compensation Scheme*

Following a report in February 2007 by the Ombudsman on the Trawlermen's Compensation Scheme set up in 2000, the Department agreed to review the scheme rules and eligibility criteria. As a result of a judgement in the Court of Appeal (the Bradley case), Ministers asked officials to look at possible options for re-running the Scheme.

At 31 March 2008, a contingent liability was disclosed in the Department's accounts, in respect of compensation payments that may arise.

On completion of the review, the Minister for Employment and Postal Affairs stated in the House of Commons on 11 December 2008 that the Department would be running a new Icelandic Water Trawlermen Scheme. Consequently the Department has recorded a provision as at 31 March 2009, to cover the forecast future compensation payments. The undiscounted liability as at 31 March 2009 is estimated to be £7 million.

There is no specific legislative authority for these payments and the Department has been advised that it cannot rely on the sole authority of the Appropriation Act, which it did when running the previous Schemes. The Secretary of State has, therefore, directed the Accounting Officer to proceed.

##### *The National Dock Labour Board (NDLB)*

The National Dock Labour Board (NDLB) was set up in 1948 to ensure a regular supply of workers in the docks. Over time the system began to decline as working practices changed, and after the decasualisation of dock labour in 1967 it was little used and was finally abolished in 1989. Through a series of Machinery of Government changes responsibility for the NDLB now rests with BERR. Over the past few years a number of former dockers have developed diseases, mainly asbestos related, which they believe arose as a result of their dock work. As many of the original companies no longer exist, claims have been brought against the NDLB. In December 2008, Mr Justice Silber ruled in the case known as Rice and Thompson, which was heard in the High Court of Justice, Queen's Bench Division, that the NDLB did owe a duty of care to its registered dockers, and that therefore claims against it were valid. As a result the Department has recorded a provision in the 2008-09 accounts to cover future compensation payments.

The undiscounted liability as at 31 March 2009 is estimated to be £9 million.

Provisions for Coal and British Energy nuclear liabilities transferred to the new Department of Energy and Climate Change as a result of the Machinery of Government Change.

## 25. Financial Guarantees

	Consolidated			
	SFLG	EFG	UK High Technology Fund	Total
	£'000	£'000	£'000	£'000
<b>(Restated) Balance at 1 April 2008</b>	114,367	–	–	114,367
Prior period adjustment	29,685		672	30,357
<b>New opening balance</b>	<b>144,052</b>		<b>672</b>	<b>144,724</b>
Amortisation	(3,711)	–	–	(3,711)
Unwinding of one year's discount	2,516	–	–	2,516
Increase/(decrease) in the year	190,819	6,534	–	197,353
Expenditure in year	(84,070)	–	–	(84,070)
<b>Balance at 31 March 2009</b>	<b>249,606</b>	<b>6,534</b>	<b>672</b>	<b>256,812</b>

All Financial Guarantees are held by the Core Department.

### 25.1 Small Firms Loan Guarantee Scheme (SFLGS)

In accordance with FRS 26, the SFLG Scheme has been classified as a financial guarantee.

The SFLGS is now a legacy scheme, as it was replaced by the new Enterprise Finance Guarantee in January 2009. It was previously the Department's main instrument for supporting debt finance for small businesses. By providing a Government backed guarantee, the Scheme existed to enable lenders to assist small business, with viable business proposals, to gain access to finance where they lacked security or a track record.

#### *Measurement*

Each SFLG guarantee is initially recognised at fair value, which is equal to the premium income over the life of the guarantee. After initial recognition, the individual guarantees are measured at the higher of:

- a) the amount determined in accordance with FRS12, (Provisions, Contingent Liabilities and Contingent Assets); and
- b) the amount initially recognised, which for the Department is the value of the premiums over the life of the guarantee.

The discounted premium income is also disclosed as a fee debtor.

#### *Carrying values*

Those guarantees that are not expected to default are carried at fair value and those guarantees that are expected to default are carried at an amount determined in accordance with FRS 12. The fair value is based upon the net present value of premium income. The value of the amounts determined, under FRS 12, is based on the expected value of defaults discounted using HM Treasury's effective interest rate, currently 2.2%.

The total value of loans outstanding as at 31 March 2009 is £619 million, however, BERR's total liability under the Scheme is limited to 75% of the total value of the loans outstanding which is £464 million. The total value of the expected defaults is £215.5 million (2007-08:

£114.4 million), and the fair value of those guarantees not expected to default is £34.1 million. The amounts outstanding will be utilised over the next eight years.

### *Risks*

Due to the nature of these guarantees, the Department is exposed to credit risk as the recipient of the loan may default and the lending bank will call upon the Department to honour its guarantee. The Department minimises the credit risk, by devolving responsibility to the banks to determine whether any business applying for a loan is commercially viable. The banks are required to apply normal commercial practices. To establish that this is the case, the Department requires an independent audit of the lenders participating in the Scheme. A sample of guarantees and a sample of defaults are examined annually. The Department also shares the risk, setting its maximum exposure at 75% of the value of the loan. The lenders bear the risk on the remaining 25%.

The Department is also exposed to interest rate risk, as the majority of the loan guarantees are provided against variable rate loans. The banks usual lending practices mean that fixed rate loans are usually available only for small value, short term loans. To minimise the risk of default relating to a rise in interests rates, accompanied by a decline in the economic environment, the Department relies on the lenders applying best commercial practice when assessing the risk of default.

Further information on the Department's exposure to financial instrument risk is included at Note 34.

### **25.2 Enterprise Finance Guarantee (EFG)**

In accordance with FRS 26, the EFG has been classified as a financial guarantee.

The Enterprise Finance Guarantee (EFG) was introduced in January 2009. The EFG is a £1 billion loan guarantee delivered through the banks that will enable up to an additional £1.3 billion of lending to businesses. Applications will be approved up to the end of March 2010. The EFG loan (either unsecured or partially secured) may be used as a new term loan specifically for the purpose of transferring long term debt out of an overdraft or as refinancing of an existing secured loan which would otherwise be withdrawn due to deterioration in the quality of the security. The lending terms for the EFG are that a business meets an approved EFG lender's commercial lending criteria, has an annual turnover of up to £25 million and is seeking a loan of between £1,000 to £1 million. The loans are repayable over a period of up to ten years.

The EFG is available for most business purposes and sectors. However, the EFG is subject to certain sector restrictions arising from the EU De Minimis Aid rules, the Industrial Development Act 1982, (which provides the statutory basis for EFG) and also national policy reasons, which are detailed on the Department's website.

### *Measurement*

Each EFG guarantee is initially recognised at fair value, which is equal to the premium income over the life of the guarantee. After initial recognition, the individual guarantees are measured at the higher of:

- a) the amount determined in accordance with FRS12, (Provision Contingent Liabilities and Contingent Assets); and

- b) the amount initially recognised, which for the Department is the value of the premiums over the life of the guarantee.

The discounted premium income is also disclosed as a fee debtor.

#### *Carrying values*

Those guarantees that are not expected to default are carried at fair value and those guarantees that are expected to default are carried at an amount determined in accordance with FRS 12. The fair value is based upon the net present value of premium income. The value of the amounts determined, under FRS 12, is based on the expected value of defaults discounted using HM Treasury's effective interest rate, currently 2.2%.

BERR's total liability for the EFG is limited to 75% of the total value of the loans outstanding and the total liability over the life of the guarantee is capped at 13% of this limited value. The total value of the expected defaults is £4.5 million and the fair value of those guarantees not expected to default is £2 million. The amounts outstanding will be utilised over the next ten years.

#### *Risks*

Due to the nature of these guarantees the Department is exposed to credit risk as the recipient of the loan may default and the lending bank will call upon the Department to honour its guarantee. The Department minimises the credit risk, by devolving responsibility to the banks to determine whether any business applying for a loan is commercially viable. The banks are required to apply normal commercial practices. To establish that this is the case, the Department requires an independent audit of the lenders participating in the Scheme. A sample of guarantees and a sample of defaults are examined annually. For the EFG, the cycle of audits has already started. The Department also shares the risk because its exposure is capped at 13% of value of the guarantees, with the banks managing any risks in excess of the cap.

In addition, the Department is exposed to interest rate risk, as the majority of the loan guarantees are provided against variable rate loans. The banks usual lending practices mean that fixed rate loans are usually available only for small value, short term loans. To minimise the risk of default relating to a rise in interests rates, accompanied by a decline in the economic environment, the Department relies on the lenders applying best commercial practice when assessing the risk of default. At 31 March 2009, the proportion of variable rate loans under the EFG was 9% by number and 5% by value.

Further information on the Department's exposure to financial instrument risk is included at Note 34.

### **25.3 UK High Technology Fund Guarantee**

The Department has issued a guarantee to investors in the UK High Technology Fund which has been classified as a financial guarantee. In the event of the fund, not generating sufficient income to meet the other investors' guaranteed rates of return, the Fund Manager would make a call on the Department's share of investment income, resulting in the income being returned to the Fund Manager.

*Carrying value and measurement*

The financial guarantee is measured at fair value through the Operating Cost Statement and is carried at fair value. Fair value is calculated as being the product of the maximum amount payable and the likely risk of a call on the guarantee being made. £672,000 has been recognised in the Accounts for the first time, as the guarantee was previously disclosed as a contingent liability under FRS 12. The value reflects the maximum possible repayment of £1.12 million of income received from the UK High Technology Fund combined with a 60 % likelihood of the repayment being made.

*Risks*

Due to the nature of this guarantee, the Department is exposed to other market risk, which could trigger a call on the guarantee given if the fund underperforms due to market conditions. The Department minimises the risk for the UK High Technology Fund through its delivery partner, Capital for Enterprise Limited (CfEL), an asset management company. CfEL monitor the overall performance of the UK High Technology Fund and, as appropriate, will act to secure value for the Department as an investor in the Fund.

Further information on the Department's exposure to financial instrument risk is included at Note 34.

**26. General Fund**

The General Fund represents the total assets less liabilities of each of the entities within the accounting boundary, to the extent that the total is not represented by other reserves and financing items.

		2008-09 £'000		(restated) 2007-08 £'000	
	Note	Core Department	Consolidated	Core Department	Consolidated
<b>Balance at 1 April</b>		1,886,027	1,937,945	2,128,993	2,169,230
Prior period adjustment		(672)	(3,255)	–	–
<b>New opening balance</b>		<b>1,885,355</b>	<b>1,934,690</b>	<b>2,128,993</b>	<b>2,169,230</b>
Net parliamentary funding:					
Drawn down		1,945,377	1,945,377	2,156,652	2,156,652
Deemed		507,014	507,014	–	–
Non supply expenditure funded by the National Insurance Fund	3.1	391,918	391,918	173,772	173,772
Supply (creditor)/debtor – current year		(977,168)	(977,168)	(507,014)	(507,014)
Net transfer from operating activities					
Net operating cost	3.1	(1,113,940)	(1,106,745)	(1,593,681)	(1,583,021)
CFERs repayable to Consolidated Fund	5	(643,416)	(643,416)	(488,070)	(488,070)
Increase in RPS debtors		28,030	28,030	4,837	4,837
Non cash charges:					
Cost of capital	12	(120,531)	(119,313)	10,577	11,326
Auditors' remuneration	12	234	288	240	277
Transfer from revaluation reserve	27.1	345	547	(123)	112
Transfer of assets/liabilities		–	–	(156)	(156)
<b>Balance at 31 March</b>		<b>1,903,218</b>	<b>1,961,222</b>	<b>1,886,027</b>	<b>1,937,945</b>

The prior period adjustments relate to the first time adoption of the Financial Instrument Standards (FRS 25, 26 and 29). Further details for the core Departments are provided in Note 25. The prior period adjustment for the consolidated body relates to The Insolvency Service and further details can be found in its Annual Accounts.

## 27. Reserves

### 27.1 Revaluation Reserves

	2008-09								(restated) 2007-08	
	Core Department				Consolidated				Core Department	Consolidated
	Fixed Assets £'000	Launch Investment £'000	CDVF £'000	Total £'000	Fixed Assets £'000	Launch Investment £'000	CDVF £'000	Total £'000	Total £'000	Total £'000
<b>Balance at 1 April</b>	702	102,211	4,153	107,066	1,384	102,211	4,153	107,748	171,005	171,686
Arising on revaluation during the year (net)	536	40,705	4,781	46,022	694	40,705	4,781	46,180	64,052	64,288
CFERs realised	–	(96,457)	–	(96,457)	–	(96,457)	–	(96,457)	(128,114)	(128,114)
Transfer to the General Fund of realised element of Revaluation Reserve (see Note 26)	(345)	–	–	(345)	(547)	–	–	(547)	123	(112)
<b>Balance at 31 March</b>	<b>893</b>	<b>46,459</b>	<b>8,934</b>	<b>56,286</b>	<b>1,531</b>	<b>46,459</b>	<b>8,934</b>	<b>56,924</b>	<b>107,066</b>	<b>107,748</b>

The Fixed Asset Revaluation Reserve reflects the unrealised element of the cumulative balance of indexation and the revaluation adjustments of Fixed Assets (see Notes 15 and 16). In accordance with the FReM, other than for land and buildings, the core Department has opted to value tangible fixed assets on a depreciated historical cost basis, as a proxy for current cost. During 2008-09, £151,000 was transferred to the General Fund to reflect this change.

The Launch Investment Revaluation Reserve reflects the unrealised element of the cumulative balance of the revaluation adjustments to Launch Investment (see Note 18).

CDVF refers to the Community Development Venture Funds Further details are provided in Note 18.

## 28. Notes to the Consolidated Cash Flow Statement

### 28.1 Reconciliation of operating cost to operating cash flows

	Note	2008-09 £'000	(restated) 2007-08 £'000
Net Operating Costs	3.1	(1,106,745)	(1,583,021)
Adjustment for non-cash transactions	12	46,295	300,512
Adjustment for non-cash income	13	(3,711)	–
Decrease in stock	19	17	1
Decrease in debtors	20	46,164	253,958
Less movements in Debtors relating to items not passing through the Operating Cost Statement		34,212	(466,491)
Increase in Creditors	23	237,445	159,447
Less movements in Creditors relating to items not passing through the Operating Cost Statement		(234,627)	(239,655)
Adjustment for capitalised interest on Royal Mail Shareholders Loan	17	(296)	–

	Note	2008-09 £'000	(restated) 2007-08 £'000
Use of financial guarantees	4	(84,070)	–
Use of provision	4	(24,152)	(96,626)
Non-cash expenditure funded by the National Insurance Fund	3.1	391,918	173,772
Interest received from Royal Mail Holdings plc on NLF loans	3.1	(29,488)	(29,172)
Interest paid to NLF on loans to Royal Mail Holdings plc	3.1	29,488	29,172
<b>Net Cash Outflow from Operating Activities</b>		<b>(697,550)</b>	<b>(1,498,103)</b>

## 28.2 Analysis of capital expenditure and financial investment

	Note	2008-09 £'000	(restated) 2007-08 £'000
Intangible fixed asset additions	16	(308)	(1,688)
Tangible fixed asset additions	15	(27,354)	(13,879)
Launch Investments receipts	7	31,598	27,396
Other assets redeemed	17,18	232,153	5,784
Loan redeemed from Post Office Limited	21	5,562,000	6,450,000
Investments made to other bodies	17,18,21	(564,632)	(29,119)
Loan made to Post Office Limited	21	(5,369,000)	(6,440,000)
<b>Net Cash Outflow from Investing Activities</b>		<b>(135,543)</b>	<b>(1,506)</b>

## 28.3 Analysis of capital expenditure and financial investment by Request for Resources (RfRs)

	Note	Capital Expenditure £'000	Loans etc £'000	A in A £'000	Net Total £'000
Request for Resources 1	4,15,16,21	(28,639)	(5,933,632)	5,825,855	(136,416)
Net movement in debtors/creditors		977	–	(104)	873
<b>Total 2008-09</b>		<b>(27,662)</b>	<b>(5,933,632)</b>	<b>5,825,751</b>	<b>(135,543)</b>
<b>Total (restated) 2007-08</b>		<b>(15,569)</b>	<b>(6,469,119)</b>	<b>6,483,180</b>	<b>(1,508)</b>

## 28.4 Analysis of financing

	Note	2008-09 £'000	(restated) 2007-08 £'000
From the Consolidated Fund (Supply) – current year	28.5	1,945,377	2,156,652
From the Consolidated Fund (Supply) – prior year	28.5	–	444,701
From the Consolidated Fund (non-supply)		–	–
NLF Loans – interest received from Royal Mail Holdings plc	28.1	29,488	29,172
NLF Loans – interest paid to the NLF	28.1	(29,488)	(29,172)
From the National Insurance Fund	28.1	391,918	173,772
Payment to National Insurance Fund		–	–
Advances from Contingency Fund		–	–
Repayment to Contingency Fund		–	–
Capital element of payments in respect of finance leases and on balance sheet PFI contracts		–	–
Redundancy payments	11	(391,918)	(173,772)
<b>Net financing</b>		<b>1,945,377</b>	<b>2,601,353</b>

**28.5 Reconciliation of Net Cash Requirement to increase in cash**

	Note	2008-09 £'000	(restated) 2007-08 £'000
Net Cash Requirement	4	(1,475,225)	(1,987,633)
From the Consolidated Fund (Supply) – current year	28.4	1,945,377	2,156,652
From the Consolidated Fund (Supply) – prior year	28.4	–	444,701
Amounts due to the Consolidated Fund – received in a prior year and paid over	23.1	(355,869)	(621,265)
Amounts due to the Consolidated Fund – received and not paid over	23.1	127,940	355,869
<b>Increase in cash</b>	<b>22</b>	<b>242,223</b>	<b>348,324</b>

**29. Notes to the Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives**

The Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives reports expenditure and income against each of the Department's five Objectives.

The costs comprise direct administration and programme costs derived from those front-line Departmental Groups where activities are directly related to delivering the Department's Strategic Objectives.

Following the announcement, by the Prime Minister on 3 October 2008, BERR's Energy Group was transferred to the new Department of Energy and Climate Change. As a consequence of this change, the objectives relating to energy security and supply, and managing energy liabilities, transferred to the new Department.

**29.1 Programme grants and other current expenditures have been allocated as follows:**

	2008-09 £'000	(restated) 2007-08 £'000
Promoting the creation and growth of business	2,520,929	2,453,425
Ensuring better regulation	4,453	2,532
Delivering free and fair markets	853,021	557,404
Ensuring that Government acts as an effective shareholder	172,147	481,133
Professional support, capability and infrastructure	4,328	(19,163)
<b>Total</b>	<b>3,554,878</b>	<b>3,475,331</b>

**29.2 Capital employed by Departmental Strategic Objectives at 31 March 2009**

	2008-09 £'000	(restated) 2007-08 £'000
Promoting the creation and growth of business	705,000	1,266,431
Ensuring better regulation	(116)	33
Delivering free and fair markets	127,891	127,507
Ensuring that Government acts as an effective shareholder	1,266,656	718,109
Professional support, capability and infrastructure	(81,285)	(66,387)
<b>Total</b>	<b>2,018,146</b>	<b>2,045,693</b>

Where assets and liabilities relate to specific Objectives, they are attributed directly to that Objective. The Department's administrative net liabilities are attributed to Objectives in proportion to the gross expenditure for those Objectives.

### 30. Capital commitments

	2008-09 £'000		(restated) 2007-08 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Contracted capital commitments at 31 March for which no provision has been made	2,208	4,208	2,652	10,852

### 31. Commitments under leases

#### 31.1 Operating leases

Commitments under operating leases to pay rentals during the 2009-10 financial year are given in the table below, analysed according to the period in which the lease expires.

	2008-09 £'000		(restated) 2007-08 £'000	
	Core Department	Consolidated	Core Department	Consolidated
<b>Obligations under operating leases comprise:</b>				
Land and buildings:				
Expiry within one year	750	1,612	–	349
Expiry after one year but not more than 5 years	6,381	8,044	55	1,763
Expiry thereafter	34,018	41,696	39,444	47,817
	<b>41,149</b>	<b>51,352</b>	<b>39,499</b>	<b>49,929</b>
Other:				
Expiry within 1 year	28	661	29	73
Expiry after 1 year but not more than 5 years	225	8,544	189	5,845
Expiry thereafter	–	5	–	–
	<b>253</b>	<b>9,210</b>	<b>218</b>	<b>5,918</b>

#### 31.2 Finance leases

Obligations under finance leases are as follows:

	2008-09 £'000		2007-08 £'000	
	Core Department	Consolidated	Core Department	Consolidated
<b>Obligations under finance leases comprise:</b>				
Rentals due within one year	–	1,089	–	976
Rentals due after one year but within 5 years	–	1,346	–	1,964
Rentals due thereafter	–	–	–	–
	–	<b>2,435</b>	–	<b>2,940</b>
Less interest element	–	(264)	–	(360)
	–	<b>2,171</b>	–	<b>2,580</b>

All obligations under finance leases are with the Department's consolidated bodies.

## 32. Commitments under PFI contracts

### 32.1 Off-Balance Sheet contract

During the 2008-09 financial year, the Department had one off-Balance Sheet PFI contract, the 'ELGAR Service PFI Agreement'. The contract operator is Fujitsu Services.

### 32.2 Charge to the Operating Cost Statement and future commitments

The total amount charged to operating costs in 2008-09 was £31 million (2007-08 £33 million restated); see Note 10 other administration costs and Note 11 programme costs. The payments to which the Department is committed during 2009-10, analysed by the period during which the commitments expire, are as follows.

	2008-09 £'000		(restated) 2007-08 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Expiry within one year	2,644	2,644	–	4,066
Expiry within two to five years	26,432	26,432	2,158	2,158
Expiry within six to ten years	–	–	25,580	25,580
	<b>29,076</b>	<b>29,076</b>	<b>27,738</b>	<b>31,804</b>

### 32.3 ELGAR contract details

#### Description of the contract

The ELGAR contract covers the provision of a wide range of information systems and services to the Department, including infrastructure management, IT development, business process re-engineering, consultancy advice and technology refresh.

Over the five remaining years of the contract, the payments are expected to amount to around £106 million for the core Department.

#### Estimated capital value

The estimated cumulative capital value of the contract is £27.6 million.

#### Contract start and end dates

The contract was awarded in November 1998 for a period of ten years, extendable for up to a further five years. The contract is now set to expire on 31 March 2014.

#### Other obligations

BERR has a responsibility to pay termination charges should the Department exercise its break option before the agreed service end date. These amount to £25.5 million, comprising £9.3 million for the core service, £14.7 million for the Department's electronic records management system and an additional £1.5 million for other (extended) services.

The Insolvency Service, which is an Executive Agency whose results are consolidated into these accounts, also had a contract with Fujitsu for the provision of IT services which expired during 2008-09. Further details can be found in the separate resource accounts of this body.

### 33. Other financial commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts), for subscriptions to international bodies. The payments to which the Department is committed during 2009-10, analysed by the period during which the commitments expire are as follows:

	2008-09 £'000		(restated) 2007-08 £'000	
	Core Department	Consolidated	Core Department	Consolidated
Expiry within one year	–	–	–	–
Expiry within two to five years	–	–	–	–
Expiry thereafter	6,405	6,405	4,828	4,828
	<b>6,405</b>	<b>6,405</b>	<b>4,828</b>	<b>4,828</b>

#### 33.1 The amounts disclosed above are for subscriptions paid to the following bodies:

Organisation	Note	Expiry within	Expiry within 2	Expiry over 5	Total
		1 Year	to 5 Years	years	
		£'000	£'000	£'000	£'000
World Trade Organisation	a	–	–	6,237	6,237
UNIDROIT	b	–	–	119	119
Organisation for Economic Co-operation and Development Steel Committee	c	–	–	49	49
<b>Total</b>		<b>–</b>	<b>–</b>	<b>6,405</b>	<b>6,405</b>

#### Notes:

- BERR is responsible for the payment of the UK's annual contribution to the *World Trade Organisation (WTO)*, which deals with the global rules of trade between nations. Its main function is to ensure that international trade flows as smoothly, predictably and freely as possible. As a member of the WTO the UK, like other members, has a legal commitment to pay a contribution to the cost of running the WTO Secretariat, which is based in Geneva. The UK's share is calculated on the basis of our international trade in relation to the total international trade of all WTO members.
- BERR pays an annual contribution towards the running of *the International Institute for the Unification of Private Law (UNIDROIT)*. UNIDROIT is an independent intergovernmental organisation with its seat in Rome. Its purpose is to study needs and methods for modernising, harmonising and co-ordinating private and in particular commercial law as between States and groups of States.
- The *Organisation for Economic Co-operation and Development (OECD) Steel Committee* is the international forum established to discuss steel industry issues such as production trends, trade flows and issues, market developments and environmental issues. BERR provides funding as a contribution to the work of the Committee, which is attended by both OECD and non-OECD members.

Due to the transfer of the Energy Group of BERR to the new Department of Energy and Climate Change, the Department no longer subscribes to the following bodies:

- International Atomic Energy Agency;
- Organisation for the Prohibition of Chemical Weapons;
- International Energy Agency;
- Nuclear Energy Agency;
- European Energy Charter; and
- International Energy Forum Secretariat (IEFS).

### 34. Financial Instruments

The carrying amounts of financial instruments in each of the FRS 26 categories are as follows:

	Note	31 March 2009 £'000		(restated) 31 March 2008 £'000	
		Core Department	Consolidated	Core Department	Consolidated
<b>Financial assets</b>					
<b><i>Loans and receivables:</i></b>					
Cash and cash equivalents	22	1,092,682	1,105,546	837,308	862,887
Debtors	20	392,016	469,862	437,986	516,026
Loans	17,21	1,003,796	1,003,796	892,000	892,000
Public dividend capital	17	15,889	15,889	15,889	15,889
<b>Total loans and receivables</b>		<b>2,504,383</b>	<b>2,595,093</b>	<b>2,183,183</b>	<b>2,286,802</b>
<b><i>Available for Sale:</i></b>					
Launch Investments	18	1,473,303	1,473,303	1,507,978	1,507,978
Venture Capital Funds	18	65,651	65,651	56,407	56,407
Ordinary Shares	17	430,423	430,423	430,423	430,423
<b>Total available for sale</b>		<b>1,969,377</b>	<b>1,969,377</b>	<b>1,994,808</b>	<b>1,994,808</b>
<b>Financial liabilities</b>					
<b><i>Financial Guarantees</i></b>					
Small Firms Loan Guarantee Scheme	25	249,606	249,606	114,367	114,367
Enterprise Finance Guarantee	25	6,534	6,534	–	–
UK High Technology Fund	25	672	672	–	–
<b>Total financial guarantees</b>		<b>256,812</b>	<b>256,812</b>	<b>114,367</b>	<b>114,367</b>
<b><i>At Amortised Cost</i></b>					
Creditors	23	1,840,550	1,888,899	1,598,075	1,651,454
<b>Total at amortised cost</b>		<b>1,840,550</b>	<b>1,888,899</b>	<b>1,598,075</b>	<b>1,651,454</b>

*FRS 29 Financial Instruments: Disclosure* requires the Department to disclose information which will allow users of these financial statements to evaluate the significance of financial instruments on the Department's financial performance and position and the nature and extent of the Department's exposure to risks arising from financial instruments.

As the cash requirements of the Department are met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size.

The Department is however exposed to some forms of credit, liquidity and market risk via specific programmes / activities undertaken in pursuance of the Department's aim to help ensure business success in an increasingly competitive world.

#### *Credit risk*

Credit Risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Department is subject to credit risk in the areas of Launch Investments; Venture Capital Funds and Financial Guarantees as follows:

- Launch Investments – Aerospace companies may not be able to successfully market their products resulting in the Department not being able to recover its investment, or there could be delays in planned production or sales, and the Department may not recover its investment within the expected time period. The Department minimises the risk, by carrying out a full evaluation of each business case submitted for Launch Investment support. In addition, the Department monitors delivery statistics to ensure that it receives the return on its investment when it is due.
- Venture Capital Funds – Investee companies may not perform as expected and the Department may not recover its initial investment. The Department minimises the risk, by using Capital for Enterprise Limited (CfEL), an asset management business, and a delivery partner of the Department. CfEL monitors the overall performance of the Funds and will act to secure value for the Department as an investor.
- Financial Guarantees – Through the Financial Guarantee schemes, the Department is exposed to the risk that a recipient of the loan may default and the lending bank will call upon the Department to honour its guarantee. The Department minimises the credit risk, for the EFG and legacy SFLG Scheme by using the participating banks to determine whether any business applying for a loan is commercially viable.

### *Market risk*

Market Risk is the risk that fair values and future cash flows will fluctuate due to changes in market prices. Market risk generally comprises of:

#### *Foreign Currency risk*

The Department's exposure to foreign currency risk during the year was insignificant. Foreign currency income was negligible and foreign currency expenditure was a very small percentage of total expenditure (less than 1%). All material assets and liabilities are denominated in sterling.

#### *Interest Rate risk*

The Department does not invest or access funds from commercial sources, but it is exposed to interest rate risk with respect the SFLGS and the EFG. To minimise the risk of default due to interest rate rises, coupled with a downturn in the economy, the Department relies on the lenders assessment using best commercial practice to manage the risk of default.

#### *Other Market risk*

The Department is exposed to wider risks relating to the performance of the economy as a whole. Any downward movement in the economy could result in failures of investee companies under the Venture Capital Fund schemes and loan defaults under the SFLG and EFG Schemes. In addition, a downturn in the economy could result in a decrease in demand throughout the aerospace industry, potentially impacting the valuation of the Department's Launch Investments.

### *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. In common with other government departments the future financing of its liabilities is to be met by future grants of Supply, voted annually by Parliament. There is no reason to believe that future approvals will not be forthcoming, therefore on this basis the Department is not exposed to liquidity risks.

Information about the Department's objectives, policies and processes for managing and measuring risk can be found in the Statement on Internal Control.

## 35. Contingent liabilities disclosed under FRS 12

Basis of Recognition	Description
<i>Nuclear</i>	The Department has a range of civil nuclear liabilities arising through its association with the United Kingdom Atomic Energy Authority and British Nuclear Fuels Limited as well as ensuring that the Government complies with its obligations under the various international nuclear agreements and treaties. The amount and timing of this overarching liability is not quantifiable.
<i>Postal Services Act 2000</i>	The Department has made available to Post Office Limited, through an agreement reached on 17 October 2003, a revolving loan facility based on commercial terms of up to £1.15 billion. This is to help the company fund its working capital cash requirements in branch. The package was agreed against the background of the migration of State benefits payments to a system of direct payment, alongside a Government commitment that benefit recipients will still be able to collect their benefit, in cash and in full, from Post Office branches. Post Office Limited began utilising this facility on 1 December 2003. The Facility matures on the 31 March 2011 by when any outstanding loans will need to have been repaid. The outstanding balance on the revolving loan facility is £197 million.
<i>British Shipbuilders</i>	<p>There are contingent liabilities that arise from the Department's assurances and guarantees to British Shipbuilders.</p> <p>Following a legal ruling in respect of pleural plaques claims (valued at £22.5 million) on 17 October 2007, the House of Lords announced that compensation cannot be made on pleural plaques. This is the current position in England and Wales as the House of Lords judgement still stands. However, the Scottish Executive passed a Bill that is now an Act and appears on the statute book. The Scottish Ministers have made a commencement order providing for the Act to come into force on 17 June 2009, but claims are being sisted (put on hold) until the outcome of a judicial review of the Act.</p>
Competition Commission	In the past year there has been litigation before the Competition Appeal Tribunal, between Sky and Virgin and BERR and the Competition Commission following Sky's acquisition of a shareholding in ITV plc. BERR may be required to meet certain third party legal costs. These have not been finalised but if BERR is required to pay these, they are estimated to be in the region of £175,000. The litigation continues as the Court of Appeal has granted leave to appeal.

## 36. Contingent liabilities not required to be disclosed under FRS 12, but included for Parliamentary reporting and accountability purposes

### 36.1 Quantifiable

The Department has entered into the following quantifiable contingent liabilities by offering guarantees or indemnities. None of these is a contingent liability within the meaning of FRS 12 since the likelihood of a transfer of economic benefit in settlement is too remote. All of these liabilities relate to the Core Department.

	1 April 2008	Increase in year	Liabilities crystallised in year	Obligations <sup>1</sup> expired in year	31 March 2009
	£'000	£'000	£'000	£'000	£'000
Statutory Guarantees					
– Home Shipbuilding Credit Guarantee Scheme	23,000	–	–	(4,000)	19,000
Statutory Indemnities					
– Local Network Indemnities	27,451	–	–	(18,076)	9,375
Other					
– Callable capital subscription for the Common Fund for Commodities	1,960	–	–	–	1,960
– Paid in capital subscription for the Common Fund for Commodities	2,240	–	–	–	2,240
<b>Total</b>	<b>54,651</b>	<b>–</b>	<b>–</b>	<b>(22,076)</b>	<b>32,575</b>

1 – Obligations expired in year relates to cases closed and/or completed contracts.

### 36.2 Unquantifiable

The Department has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of FRS 12 since the possibility of a transfer of economic benefit in settlement is too remote.

#### Statutory Guarantees

- A guarantee has been given to the Financial Reporting Council that if the amount held in the Legal Costs Fund falls below £1 million in any year, an additional grant will be made to cover legal costs subsequently incurred in that year;
- Any liabilities imposed by section 68, Telecommunications Act 1984; and
- Any liabilities imposed by section 9, British Aerospace Act 1980.

#### Statutory Indemnities

- Indemnities given to UKAEA by the Secretary of State to cover certain indemnities given by UKAEA to carriers and British Nuclear Fuels Plc against certain claims for damage caused by nuclear matter in the course of carriage;
- Indemnities equivalent to those given to civil servants under the Civil Service Management Code have been given to persons appointed to the Board of the Office of Fair Trading, including the Chairman;

- Indemnities given to Bankers of the Insolvency Service against certain liabilities arising in respect of non-transferable "account payee" cheques due to insolvent estates and paid into the Insolvency Service's account; (i) and
- The Police Information Technology Organisation (Home Office) provides BERR with access to data from the Police National Computer (PNC). BERR has indemnified the police against any liabilities which they might incur as a result of providing that access.

Note: (i) – Only this contingent liability relates to an Agency. All other liabilities relate to the Core Department.

#### Other

- Further Incidents/Accidents Insurance claims for exposure to ionising radiation pursued outside the existing UKAEA insurance scheme;
- Outstanding claims under the Enemy Property Claim Scheme are still being considered; and
- There is a possibility that other liabilities exist in relation to nationalised, and former nationalised, industries that, if they crystallised, may fall to the Department.

These liabilities are unquantifiable due to the nature of the liability and the uncertainties surrounding them.

## 37. Losses and special payments

The disclosures in this Note are in accordance with *Managing Public Money*. The purpose of this Note is to report on losses and special payments of particular interest to Parliament.

### 37.1 Losses Statement

	2008-09 £'000	(restated) 2007-08 £'000
<b>Total</b>	<b>46</b>	<b>1,488</b>
	(157 cases)	(104 cases)

### 37.2 Special Payments

Special payments include extra-contractual, ex gratia and compensation payments.

	2008-09 £'000	(restated) 2007-08 £'000
<b>Total</b>	<b>107</b>	<b>230</b>
	(10 cases)	(20 cases)

### 38. Related-party transactions

The Department is the parent of the Advisory, Conciliation and Arbitration Service (Acas) and the Insolvency Service, and sponsor of the Non-Departmental Public Bodies as shown in annex 3 page 227 to this Report, including Companies House (Trading Fund) and Royal Mail Holdings plc, British Shipbuilders, BNFL plc and OFCOM.

The Department also has had various material transactions with other Government departments and Government bodies. The most significant of these transactions have been with the Department for Communities and Local Government; the Department for Innovation Universities and Skills, the Department of Energy and Climate Change, and the HM Treasury Consolidated Fund.

None of the Department's Ministers, Management Board members, key managerial staff or other related parties has undertaken any material transaction with the Department during the year.

The National Audit Office (NAO) have contracted with the Department to lease, at a market value rent, 151 Buckingham Palace Road until 2009-10. Elements of the Home Office have arranged with the Department to lease, at a market value rent, 10 Victoria Street until 2010-11.

### 39. Post Balance Sheet events

New Permanent Secretary and Accounting Officer

Following the retirement of Sir Brian Bender, Simon Fraser was appointed Permanent Secretary and Accounting Officer of the Department on 5 May 2009.

#### *Machinery of Government changes*

Following an announcement by the Prime Minister on 5 June 2009, about the way that Government is organised, the Department merged with the Department of Innovation, Universities and Skills (DIUS) and ceased to operate as BERR. The Department of Business, Innovation and Skills (BIS) was created and will take forward the work of the two former Departments. Simon Fraser was appointed Permanent Secretary of the merged Department and Accounting Officer of the former DIUS with effect from 5 June 2009. The merger will be effective from 1 April 2009.

#### *Introduction of International Financial Reporting Standards*

International Financial Reporting Standards (IFRS) were adopted by the Department on 1 April 2009. In common with other Government Departments we will be adhering to the HM Treasury 'trigger point' process which was introduced to manage the transition from FRS based to IFRS compliant Resource Accounts. Trigger Points 1 and 2, related to the preparation and audit of the Department's restated opening Balance Sheet as at 1 April 2008 and the results were reported to HM Treasury by end of January 2009. The treatment of the Department's off Balance Sheet PFI contract is the only outstanding issue of significance. This will be resolved for Trigger Points 3 and 4, which relate to the preparation and audit of 'shadow' IFRS Resource Accounts for 2008-09. The Department is working with DIUS with the aim of producing Accounts covering the different components of the

new Department for Business, Innovation and Skills for audit by the 10 September 2009 deadline.

### ***New Support for Business***

The Department introduced the following support packages after the Balance Sheet date:

#### *Working Capital Scheme*

The Department introduced the new Working Capital Scheme on 30 April 2009. The Scheme guarantees bank loans to enable a sufficient amount of regulatory capital to be freed up to enable banks to make a corresponding amount of lending to business. The Scheme has received State Aid clearance from the European Commission and comes within the scope of the Banking Act 2009. The support will secure up to £20 billion of working capital for companies with turnover up to £500 million. The first tranche of the guarantee for a portfolio of £1 billion was agreed by April 2009. The scheme is planned to run to, and with exposures not exceeding, 31 March 2011. The maximum expected exposure of £10 billion, over the life of the Scheme, has been disclosed in the Department's Main Estimate for 2009-10 as a contingent liability. The exposure is capped at any point in time to the value of the guarantees in issue. Thus, for 2009-10, the maximum exposure will be £1 billion arising from the first tranche.

#### *Trade Credit Insurance Scheme*

The Department introduced the Trade Credit Insurance Scheme on 1 May 2009. The Scheme runs until December 2009 and initially allowed suppliers that have had their credit insurance reduced, since 1 April 2009, to purchase government backed insurance to top it up in accordance with the eligibility rules of the Scheme. On 9 June 2009 the Scheme was changed to allow those suppliers that have had their credit insurance reduced since October 2008 to be eligible to participate. The exposure is capped at £5 billion and top up cover is limited to £1 million per eligible supplier. Exposures will not exceed 30 June 2009.

#### *The Vehicle Scrappage Scheme*

The Vehicle Scrappage Scheme, announced in the Budget 2009 on 22 April 2009, was formally introduced on 18 May 2009. The Scheme, which runs until the beginning of March 2010 or until Government funding is used up, provides £300 million of Government funding, to be matched by vehicle manufacturers, so that qualifying consumers scrapping vehicles of ten years old or more, can be offered a discount of £2,000 off the cost of a new vehicle, of which £1,000 will be from Government with the remainder coming from the manufacturer.

#### *Provision of an Overdraft Guarantee*

On 14 May 2009 Ministers agreed that BERR should provide a facility of up to £5 million as an overdraft guarantee to allow a UK business time to negotiate a possible take over by an overseas company. In the event that a call should be made on the guarantee, the amount paid by BERR is to be repaid (under a Standby Letter of Credit) by the overseas company's bank. In June 2009 the Department paid £1.5 million under the guarantee and repayment has been requested from the guarantor.

*The Automotive Assistance Programme*

On 27 January 2009, the Secretary of State announced support for the automotive sector, including loan guarantees which could enable up to £2.3 billion in lending to Britain's automotive manufacturers and suppliers. The guarantees could unlock loans of up to £1.3 billion from the European Investment Bank (EIB) and BERR will offer guarantees to support up to a further £1bn of lending to cover investments which may not be eligible for EIB support or which will bring special value to Britain. As agreed with HM Treasury when designing the scheme, a Non Cash Call on the Reserve has been made amounting to £25 million to fund any potential defaults under the Automotive Assistance Programme in 2008-09. If the liability is called, provision for any payment will be sought through the normal Supply procedure. Under state aid rules guarantees must be granted before 31 December 2010 and cannot exceed 90% of the loan. No guarantees had been provided at the date of this publication.

*The Capital for Enterprise Fund*

The Capital for Enterprise Fund, which was announced on 14 January 2009, will provide £75 million of equity, made up of £50 million of Government funds and an additional £25 million from Barclays, HSBC, Lloyds TSB and RBS. The purpose of the fund is to provide equity and quasi equity of between £250,000 and £2 million for companies with a turnover of up to €50 million who have viable business models and growth potential in need of long term capital.

**39.1 Date Accounts Authorised for Issue**

The Accounting Officer of the Department has authorised these accounts to be issued on 15 July 2009.

**40. Third-party assets**

The following are balances on accounts held in BERR's name at commercial banks but which are not BERR monies. They are held or controlled for the benefit of third parties and are not included in BERR's Resource Accounts.

	31 March 2009	31 March 2008
	£'000	£'000
Bank balances	16,175	8,510

**41. Restatement of Balance Sheet and Operating Cost Statement as a result of Machinery of Government (MoG) changes**

The Department had two Machinery of Government changes affecting its Estimates and Resource Accounts where functions or responsibilities were transferred within Government.

On 3 October 2008, the Prime Minister announced the creation of the new Department of Energy and Climate Change, which brought together much of the Department for Environment Food and Rural Affairs (Defra), Climate Change Group with the Energy Group from BERR. The transfer of Energy Group also included the sponsorship responsibility for the Nuclear Decommissioning Authority (NDA), the Civil Nuclear Police Authority (CNPA),

and the Coal Authority. The Department's interests in British Energy and the Nuclear Liabilities Fund also transferred to the new department.

On 1 April 2008 the Defence Export Service Organisation transferred to UK Trade and investment from the Ministry of Defence and was renamed the Defence and Security Organisation.

In accordance with the FReM, Machinery of Government Changes which involve the merger or the transfer of functions or responsibility of one part of the public service sector to another, are accounted for using merger accounting in accordance with Financial Reporting Standard (FRS) 6. This requires the restatement of the Primary Statements and associated Notes to the Accounts. The Balance Sheet and the Operating Cost Statement were restated as follows:

### *Balance Sheet*

	Published 2007-08 £'000	Transfers £'000	Restated 2007-08 £'000
<b>Non-current assets:</b>			
Tangible assets	80,520	(17)	80,503
Intangible assets	1,612	–	1,612
Investments	5,381,796	(2,869,099)	2,512,697
Debtors	396	–	396
<b>Current assets:</b>			
Stocks	25	–	25
Debtors	637,016	(121,386)	515,630
Investments	1,390,293	(1,000,293)	390,000
Cash	1,125,178	(262,291)	862,887
<b>Liabilities:</b>			
Creditors (amounts falling due within one year)	(1,416,437)	305,810	(1,110,627)
Creditors (amounts falling due after more than one year)	(540,827)	–	(540,827)
Provisions	(3,815,041)	3,148,438	(666,603)
	<b>2,844,531</b>	<b>(798,838)</b>	<b>2,045,693</b>
<b>Taxpayers' equity:</b>			
General fund	(1,071,925)	3,009,871	1,937,946
Revaluation reserve	3,916,456	(3,808,709)	107,747
	<b>2,844,531</b>	<b>(798,838)</b>	<b>2,045,693</b>

*Operating Cost Statement*

	Published 2007-08 £'000	Movements arising on transfers £'000	Restated 2007-08 £'000
<b>Administration costs:</b>			
Staff costs	152,831	(19,747)	133,084
Other administration costs	357,802	(10,956)	346,846
Income	(41,982)	973	(41,009)
<b>Programme costs:</b>			
<b>Request for Resources 1</b>			
Staff costs	103,945	(264)	103,681
Programme costs	6,750,428	(3,378,778)	3,371,650
Income	(3,628,120)	1,556,889	(2,071,231)
Special dividend (BNFL plc)	(260,000)	–	(260,000)
<b>Net Operating Cost</b>	<b>3,434,904</b>	<b>(1,851,883)</b>	<b>1,583,021</b>

**42. Additional Entities**

Information about the principal activities undertaken by the Insolvency Service and Acas, together with a list of those bodies within the Departmental Boundary can be found in chapter 2 of the Report to these Accounts.

Other bodies covered by these accounts by way of including in the reported results, funds paid to them as grant or expenses are also listed in annex 3 of the Report to these Accounts.