



Annual Report and Accounts 2005–06

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

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**Director General
and Chief Executive's
overview**

Our Directors

Director General and Chief Executive's overview



Welcome to Ordnance Survey's Annual Report and Accounts for 2005–06, a year in which we have delivered successful results against exacting performance targets.

At £105.5 million, our trading revenue reflects continued take-up of Ordnance Survey data in both our core markets and through our partner channel to the commercial markets. Indeed, revenue through our partner channel has risen year-on-year.

At the same time, we have secured greater efficiencies in our cost base for the benefit of all customers and stakeholders.

By reinvesting our £5.4 million surplus for the year after dividend payable we will be able to pursue more improvements in quality and service.

A central part of our future vision is a new corporate headquarters suitable for a forward-looking information and technology organisation. In December 2005 we announced plans to move from our current building in Southampton to a development site on the edge of the city. This is a sound investment, which means we can continue to offer efficient, attractive working conditions in the area for our staff. Such is the scale and complexity of the project, we are not likely to move until 2008.

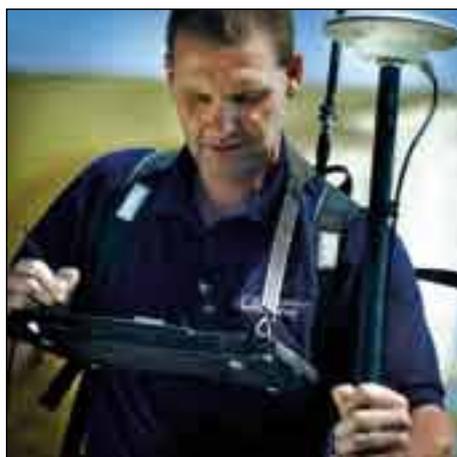
As well as progressing our accommodation plans, we have taken several important steps towards an enhanced data capture, management and supply process focused on the needs of our customers and partners.

creating

We completed our comprehensive six-year programme of positional accuracy improvement (PAI) affecting around 155 000 square kilometres of Great Britain. The programme was prompted by advances in surveying technology that made it difficult to fit higher-accuracy work onto rural mapping

previously surveyed at 1:2500 scale. PAI, which has involved extensive customer contact, is a vital underlying element in ensuring all our products are interoperable.

Also on the data collection side, we continued the nationwide roll-out of OS Net®, our global positioning system (GPS) correction network delivering real-time positional accuracy to the centimetre level. The use of GPS and OS Net already delivers a boost in efficiencies for our surveying staff, and commercial services based on OS Net and developed by our partners have been trialled by Thames Water, Yorkshire Water® and National Grid Transco® for the location of their assets. We are delighted that partners are now launching commercial services enabled by this network. It means that utilities, construction companies and other users of high-accuracy positioning services will no longer have to set out their own base station network to use centimetre- or decimetre-level accuracy GPS. The potential benefits include cost savings in hardware, set-up and maintenance.



Another key innovation was our adoption of an aerial digital camera system enabling photographic imagery to be captured, managed and distributed along with metadata, flight planning data and ground control. This is delivering distinct operational advantages by extending the flying season, improving the quality of information collected, and speeding up the extraction of data following image acquisition.

championing

Technology is not only transforming the ways we collect data. It also supports our product development and the use of our geographic information (GI) in business applications. During the year we pressed ahead with plans for an integrated IT architecture and data model designed to ensure we continue to meet customer needs.

In autumn 2005 we launched a new desktop data product aimed at property professionals such as architects, civil engineers, construction companies and estate managers. Landplan® Data enables detailed analysis of project sites anywhere in Great Britain based on our up-to-date survey information.



We also announced a series of enhancements to our most detailed digital address data. OS MasterMap® Address Layer 2 is designed to help customers in both government and business harness the power of address geography for information management and service delivery. Among the added elements are 'non-addressables' such as utilities plant, community halls, churches and public conveniences. Although these properties do not receive postal deliveries, pinpointing their locations is vital for emergency response, civil contingency planning, risk assessment and insurance purposes.

There is also a dataset of multiple residences that provides address details of flats and apartments without individual postal delivery points. These are supplied with the reference details of their parent delivery address, enabling easy identification of all properties receiving utility and other non-postal services.

As part of our latest generation OS MasterMap Address Layer 2 data is created and maintained on the basis of a nationally consistent geographic framework enabling customers to share and integrate information referenced spatially to features on the ground. Partners and customers involved in our OS Insight™ product development programme took part in a series of alpha and beta trials to evaluate the product ahead of its launch.

delivering

The year has seen a large increase in the numbers of customers and partners moving from dependency on older, large-scale products to the use of OS MasterMap data. In so doing they gain the ability to use structured, intelligent, large-scale and well maintained location data as a fully integrated business database.

Among local government customers this trend has intensified under the Mapping Services Agreement (MSA), which came into force on 1 April 2005. The MSA covers all district, county and unitary councils, metropolitan borough councils, London boroughs, national park authorities, conservation boards and some emergency services – notably local police and fire services. OS MasterMap is among the products being used in providing better front-line services, reducing local government costs and improving regional and strategic decision making.

Teignbridge District Council in Devon offers a prime example of our data benefiting the environment. Managers there have used our data to help rationalise their refuse collection fleet, identifying which

routes collect the most refuse and tailoring services accordingly. Efficiency savings have freed up resources for other activities such as removing graffiti and abandoned vehicles.

The signing of the MSA was followed by the development of a pilot health agreement designed to promote the use of computerised mapping solutions across more than 600 NHS™ organisations in England, including all trusts, strategic health authorities and ambulance services. The aim is to support strategic decisions on investment priorities, resource allocation, estate planning and the provision of public health advice. The pilot delivers GI to managers to inform tasks such as helping to identify health inequalities, record changes to patient catchment areas, carry out epidemiological analysis and target services to clinical hot spots.



Autumn 2005 saw the start of a three-year agreement for the use of our data by the Greater London Authority (GLA), Transport for London (TfL) and the London Development Agency (LDA). It means our data will continue to benefit the planning of transport links for the 2012 Olympic and Paralympic Games as well as activities such as housing and population analysis, the development of economic policy and the coordination of street works across the capital.

In the consumer sector, our continued sponsorship of The Ordnance Survey

Outdoors Show gave us a good opportunity to celebrate the completion of a project to incorporate details of hundreds of new countryside access areas onto our OS Explorer Maps. By Easter 2006 we had revised all 250 titles across England and Wales to show the new access opportunities. It was a huge challenge to prepare, check, print and distribute maps as close as possible to the regional roll-out of the access land initiative, but this was necessary because of the importance to walkers, landowners and rural residents.

The Show also staged the launch of a tougher, more versatile version of the OS Explorer Map offering extra choice for those keen to visit areas off the beaten track in all seasons. OS Explorer Map-Active is a weatherproof alternative available for many of the most popular OS Explorer Map titles. Thanks to an enhanced finishing process, the selected maps are covered in a lightweight protective plastic coating that can be written on, to highlight favourite routes. The show also provided a platform for our partners to provide digital consumer products.

collaborating

Underpinning OS MasterMap is the Digital National Framework (DNF), an industry-wide set of principles and operational rules that facilitate the integration of georeferenced information from multiple sources. We have played a key role this year in supporting DNF as an industry standard through activities, including a dedicated forum introduced at the annual conference of the Association for Geographic Information (AGI®).

Already, civil engineers and surveyors at the ICE/ICES Geospatial Engineering Board have called for the locations of millions of underground pipelines and cables to be captured to DNF standards and principles, so making it easier to share information.

Dudley Metropolitan Borough Council (MBC) also offers a prime example of using

DNF. Managers there have implemented a strategy to incorporate their GI applications in mainstream council functions. By reusing existing information and cross-referencing data on DNF principles, they are now able to centralise key address and geographic datasets and make these available to several thousand users across most service departments in the Council.

Such collaboration is central to all aspects of our work. As a result of Great Britain's six-month Presidency of the European Union, I was invited to chair the Permanent Committee on Cadastre in the European Union (PCC). Our key focus was to promote closer ties among national mapping and cadastral agencies in member states.

In July 2005 we held a three-day conference involving more than 40 national mapping organisations from across the world. CC:The Exchange, part of the Cambridge Conference series, was opened by HRH The Earl of Wessex, and provided an ideal opportunity for around 80 delegates to discuss changing roles at a time of unprecedented technological development and globalisation.

Future technologies were the focus of the Terra future™ event at our Southampton Business Centre in September 2005, which celebrated the coming of age of GI. More than 100 delegates from business, government and academia heard the latest thinking behind tomorrow's navigation tools, 3-D map data and mobile computing against a backdrop of future, global trends in the information industry.

benefiting

During the year the benefits of our data and initiatives based on it were honoured in a number of awards. Both our OS Net GPS correction network and our deployment of the aerial digital camera were recognised at the Information Management 2005 Awards. OS Net was runner-up in the GIS award while our photogrammetric

work was commended in the Content Management category.

We signed a three-year corporate sponsorship agreement, taking forward long-standing links with the Royal Geographical Society (RGS) (with the Institute of British Geographers). The sponsorship will continue the promotion of education and research, helping the RGS achieve its strategic aims in encouraging public interest in geography and promoting its value in formal education, research and lifelong learning.

For the second year running we won an award from the Scottish Association of Geography Teachers. GIS Zone, the latest addition to our MapZone® website for children, was voted best website for geography teaching. The site provides online support for our initiative to distribute free OS Explorer Maps to Year 7 pupils across Great Britain. This year we again made available around 750 000 maps, taking the total number of maps distributed over the past four years to more than three million.

We won the silver award in the Point-of-Purchase category at the In-Store Marketing show, reflecting the high quality of our retail mapping displays. We also had a double success at the Hampshire and Isle of Wight Sustainable Business Awards, winning in the Public Sector and Skills Development categories. The judges praised our efforts to minimise the environmental impacts of our operations while promoting people-orientated policies and procedures.

Two long-standing managers were recognised in the New Year's Honours List. Print and Distribution Manager Dave Kaye was awarded an OBE for his leadership, technological expertise and commitment to enhancing our reputation for delivery and service quality. Occupational Health Adviser Carolyn Moss was awarded an MBE for her outstanding support for women's services, both at work and in the

wider community. On a personal note I was delighted to be elected to the worldwide board of directors of the Open Geospatial Consortium (OGC). This is a non-profit, international standards organisation for geospatial and location-based services.



The achievements described in this report would not be possible without the commitment and support of our staff, customers, partners and wider stakeholders. I join my fellow directors in thanking everyone who has contributed to our success. I would particularly like to thank our former Director of Programmes and Products, Steve Erskine, who left Ordnance Survey during the year after a distinguished, long-standing career. We wish him well in his new post at the Home Office.

We welcome your feedback on our report, so please give us your comments and suggestions. Contact details can be found on the back cover. For further information about our products and services, please visit our new-look website at www.ordnancesurvey.co.uk.

Vanessa V Lawrence
Director General and Chief Executive
7 July 2006

Our Directors

Vanessa Lawrence

Director General and Chief Executive, Vanessa joined Ordnance Survey in 2000, moving from a global management post in strategic marketing and communications at software company Autodesk®. She has extensive experience in both geographical information systems (GIS) and publishing. Before joining Ordnance Survey she chaired the AGI and is currently a Non-Executive Director of the Department for Communities and Local Government. Vanessa is a Member of the Council of the Royal Geographical Society and of the Council of the University of Southampton®. She also sits on the management board of EuroGeographics®, the representative organisation of European mapping and cadastral agencies.

Neil Ackroyd

Director of Data Collection and Management, Neil leads the organisation's gathering of information from across Great Britain to maintain and update our digital mapping database. Prior to joining Ordnance Survey in 2001, Neil was the European Technical Manager for LBS company Trimble®. He had a primary role in the adoption of GPS technology across both the public and private sectors.

James Brayshaw

Director of Sales and Market Development, James is responsible for the sales and marketing of digital data and paper mapping. He joined Ordnance Survey from the private sector in November 2001, bringing over 15 years' extensive IT technical and consultative sales and marketing management experience, providing a wide range of high-value enterprise solutions to a number of key industry sectors such as oil and gas, retail, construction, transportation and defence (MoD). In his former employment, he established the UK organisation for a US B2B collaboration and e-commerce web portal solutions provider in 12 months, and launched the brand in an emerging marketplace. A BSc (Hons) Engineering graduate from Manchester University®, James is a Chartered Engineer and a Member of the Institution of Civil Engineers and sits on their Geospatial and IT Advisory Boards.

Jan Hutchinson

Director of Human Resources and Corporate Services, Jan is responsible for a range of services, including human resources, health and safety, estate services and internal communications. Before joining Ordnance Survey in 2002, Jan held a number of senior posts at Centrica® plc, the most recent of which was Customer Services Director with Goldfish® – Centrica's banking business.

Alastair Matthews

Finance Director, Alastair joined Ordnance Survey in July 2003 and is responsible for managing the national mapping agency's finances. He is a member of the Financial Reporting Advisory Board, an independent advisory Board to HM Treasury on how reporting principles are applied. Alastair was previously Vice-President of Finance and Administration for CSC's operations in the UK, Holland and Ireland. A Fellow of the Institute of Chartered Accountants in England and Wales, Alastair initially trained and worked in public practice with Price Waterhouse®.

Ed Parsons

Chief Technology Officer, Ed is responsible for all IT operations at Ordnance Survey, including the development and implementation of the IT strategy to underpin all business activities. Ed also manages Ordnance Survey's web presence and is in charge of its geospatial management. He also leads the organisation's Research Group, charged with exploring and developing Ordnance Survey's long-term future. Ed has worked in the GI and location-based services (LBS) industry throughout his career.

Duncan Shiell

Director of Strategy, Duncan has been closely involved in developing the business plan that underpins Ordnance Survey's continued development. Duncan represents Ordnance Survey's views on a number of government initiatives. Since 2003 Duncan has been a member of the Advisory Panel on Public Sector Information.

Non-Executive Directors

Ordnance Survey's four Non-Executive Directors are appointed by the Secretary of State to sit on the Strategy Board

Judith Anthony

Judith Anthony is Director of An Ju Ltd, providing consultancy on planning and development issues and business development. Her early career was in planning in the private sector and with various local authorities in and around London. She was previously Chief Executive of the Thames Valley Economic Partnership.

Sir Michael Bett CBE

Sir Michael Bett CBE has had a distinguished career in both the public and private sectors, including positions as Deputy Chairman of BT®, Personnel Director of both the BBC® and GEC® Group, and First Commissioner for the Civil Service.

Michael Sommers

Michael runs his own strategic marketing consultancy and is also a Non-Executive Director of the Department for Works and Pensions. His career includes marketing directorship roles for Woolworths® plc and TSB®, and managing directorships at Entertainment UK and MGM® Cinemas.

Piers White

Piers White is the Chief Executive Officer of Insinger de Beaufort®. His previous positions include Service Director of Barclays® bank, Managing Director of Fleming Premier Banking®, Chairman of Fleming Offshore Private Banking and a Director of the Save & Prosper® Group Ltd. He is a Non-Executive Director of Symbia® Ltd and a school governor.

Our Directors



Vanessa Lawrence



Neil Ackroyd



James Brayshaw



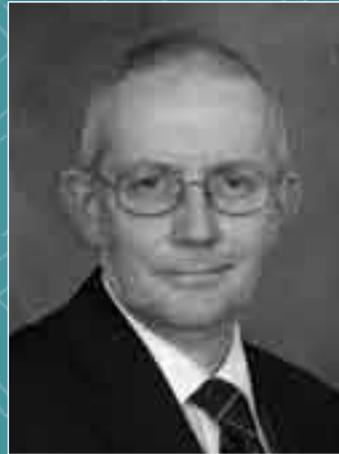
Jan Hutchinson



Alastair Matthews



Ed Parsons



Duncan Shiell

Non-Executive Directors



Judith Anthony



Sir Michael Bett CBE



Michael Sommers



Piers White



Management review

Management review

Statement of compliance: This management commentary has been prepared with reference to Reporting Statement 1 (RS1). RS1 was issued by the Accounting Standards Board in January 2006, and is a statement of best practice in financial reporting.

Financial headlines

- Turnover from trading activities: £105.5 million, up £5.1 million or 5.1% on last year's figure of £100.4 million.
- Turnover: £118.4 million, up £3.3 million or 2.9% on last year's figure of £115.1 million.
- Operating surplus before interest and dividend payable: £7.9 m, down £1.3 million or 14.1% on last year's figure of £9.2 million.
- Other operating charges: £42.5 million, down £2.9 million or 6.4% on last year's figure of £45.4 million.
- Operating costs: £110.6 million, up £5.0 million or 4.7% on last year's restated figure of £105.6 million.
- Total investment expenditure: £23.5 million, down £0.2 million or 0.8% on last year's figure of £23.7 million.



Ordnance Survey is a leading provider of GI, serving customers both directly and through partners. As Great Britain's national mapping agency, we create and maintain the topographic database of England, Scotland and Wales, from which we maintain, manage and market a wide range of products. Our digital data is designed to support an economy increasingly based on networked technology and knowledge. As a trading organisation, we generate profitable revenue to fund continuous improvement in our data to serve the national interest and meet the needs of customers in the commercial, public sector and consumer markets. At the heart of our organisation is a vision that, together with our partners, we will be the content provider of choice for location-based information in the new information economy.



Products

Our reputation for leadership in the field of GI was initially established through the quality of our paper maps. We have built on this recognition through our digital products, which now generate a significantly larger proportion of the revenue. We create a wide range of products falling into three main categories:

- Large-scale – providing great detail of a small area such as an individual building plot.
- Mid-scale – showing less detail of a larger area such as a suburb or village.
- Small-scale – providing a general representation of an area, city or region.

Digital data accounted for 91% of our trading revenue in 2005–06. Our data helps to inform policy and planning, deliver improved services, join up disparate information sources and boost process efficiencies. It underpins activities including performance analysis, asset management, consumer profiling, routing and supply chain management. We deliver data to government organisations and businesses of all sizes representing sectors, including mobile location services, land and property and retail.

We supply a range of national, large-scale digital data through our OS MasterMap product family. OS MasterMap is a digital representation of the real world containing

around half a billion uniquely identified geographic features. It is updated on a daily basis as a consistent and maintained framework for the referencing of GI in Great Britain. OS MasterMap provides definitive information down to individual address, street and building level. It is available in four data layers: Topography, Address, Imagery and Integrated Transport Network™ (ITN). We also supply digital height data at large-scale for flood risk analysis, pipeline planning, noise mapping and scenario modelling for users such as insurers, utilities and civil engineers.

Paper maps accounted for 9% of our trading revenue in 2005–06. A wide range of products is created with national coverage, including the series of walking and touring leisure maps.

Distribution methods

Digital data is supplied on media such as CDs and DVDs while paper maps and plots are provided via wholesalers, retail outlets and a fulfillment house for orders made through our website. Many organisations obtain their data direct from us. Much of this is under collective purchase arrangements, including agreements with central and local government, utilities and English NHS bodies.

We have 193 Licensed Partners, from individual entrepreneurs to multinational

companies, who add commercial value to our datasets and bring new solutions and products to market. Our web-enabled Developer Partner programme has a membership of 170 organisations, businesses and individuals who use samples of our geographic data to develop marketable ideas.

The Ordnance Survey Options® network of 140 specialist retail outlets supplies digital and paper products mainly to small- and medium-sized businesses and consumers. The network also provides, using a standard internet connection, a desktop service for those customers who require frequent and immediate access to our products. This year saw the network's one millionth order for map data. At the annual Ordnance Survey Options conference, in February 2006, the distribution agreement with this national network of retail outlets was extended to 2009.

Organisations licensed to use our OS MasterMap range of products can receive data through a download service on the Ordnance Survey website.

Business processes

Data collection

The National Geographic Database (NGD) is the master database from which our data is maintained and our product portfolio is derived. It is kept up

to date through a programme of ground survey, aerial photography interpreted by photogrammetric surveyors and other detail collected from third-party sources. Our GPS correction network, OS Net, helps deliver a range of positioning services both in real time and for post-process applications. This 90-strong base station network enables seamless Real Time Kinematic (RTK) GPS positioning down to the centimetre level and is the country's most comprehensive high-accuracy positioning framework. OS Net is delivering significant efficiency improvements for our field surveyors.

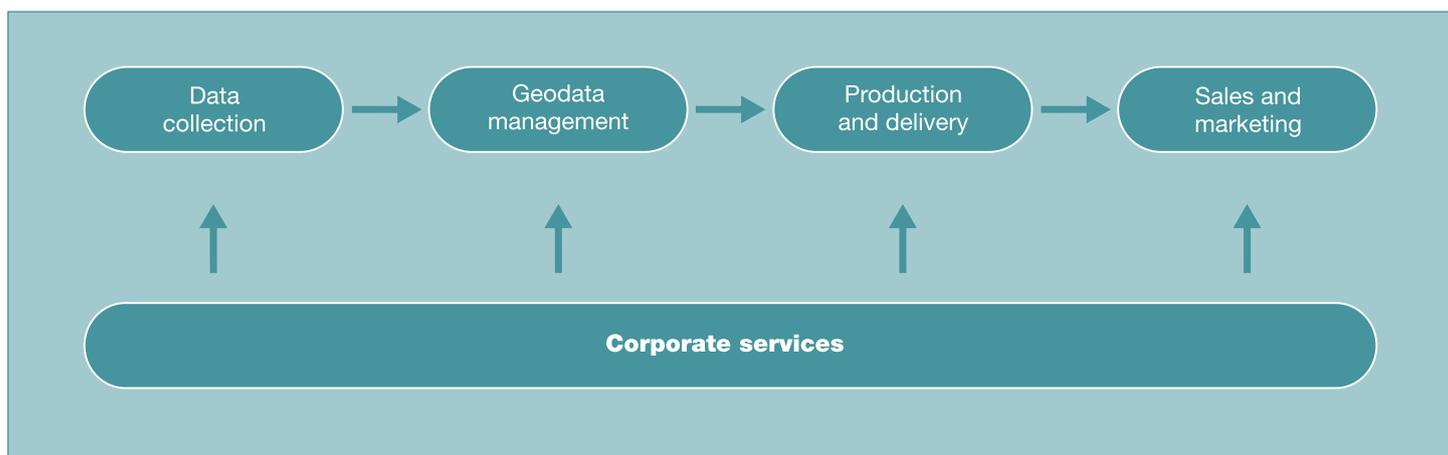


Our surveyors have also experienced process efficiencies with the distribution of new tablet PCs. The equipment is compatible with industry-standard software and includes our proprietary Portable Revision Integrated Survey

Module (PRISM™) data capture and edit tools. The new hardware has enabled greater flexibility at work, incorporating innovative solutions for connecting to other equipment and head office networks to transfer data and access online services. In addition, support staff can remotely log on to a surveyor's PC at the user's invitation for a more streamlined service with minimal interruption to their working day.



Our data capture processes were further enhanced with the implementation of an Intergraph Digital Mapping Camera (DMC) and Terrashare™ Imagery Data Management Solution into our photogrammetric survey work. These enable captured imagery to be processed and stored within an integrated environment. The digital workflow also allows associated information, such as imagery metadata, flight planning data



and ground control, to be effectively managed and distributed to users. The DMC captured the final digital map unit required to complete a 10-year cyclic revision programme for our 1:10 000 scale map data.

Geodata management

With more customers demanding increased quality in location information, it is important that we have an efficient storage and management system for the data we collect. A corporate data model that defines what features we store in the NGD has been established. Significant investment continues to be made in developing an integrated data capture, storage and maintenance environment, which will help us manage a greater volume of data. This will enable new products to be made available more rapidly and tailored to market requirements while ensuring currency and consistency between datasets.

We have undertaken an ongoing review of our data testing procedures during the course of the year and tasked a specialist in-house team with the objective of testing all datasets to ISO standard.

A pilot research programme into derived data is currently in progress – forming or developing products from existing datasets – to promote consistency and currency in our products and services.

Production and delivery

This encompasses the processes for deriving, producing and distributing small-scale digital data and paper maps.

We have made a series of enhancements to our on-site warehouse and print floor facilities. The installation of multi-level flow racking in the paper map picking area has reduced the volume of manual handling and the overall distance staff walk to fulfil map orders for wholesale and retail customers, improving efficiency and assuring staff health and safety.



Our Electronic Data Interchange (EDI) system for electronic order placement has been upgraded and new barcode scanners implemented to streamline the picking of paper map orders. The scanners are linked to our business software to automatically monitor orders and update stock levels wirelessly. This has generated significant improvements in system functionality and performance, automatically combining small orders and splitting large orders into manageable picking quantities.

New infrastructure ordered for the print floor completes an overhaul to deliver efficiencies throughout the supply chain. Investment in a new printing press, to be implemented by September 2006, will facilitate flexible delivery schedules and an enhanced maintenance agreement, providing 'up-time' guarantees to safeguard continued production.

Sales and marketing

Processes continue to evolve to improve the customer experience in dealing with Ordnance Survey and deliver sustainable revenue to the business. In particular, work continues on establishing new framework licences and pricing models, which will facilitate customer migration from legacy products to OS MasterMap and further increase the ease of doing business with Ordnance Survey.

Business and consumer customers now have access to our new corporate

brochure, available online in PDF or hard copy format. The brochure provides a clear overview of our business operations and has been distributed at corporate events, exhibitions and electronically, to inform existing and prospective customers.

Corporate services

We continue to seek ways to improve the efficiency and effectiveness of vital functions such as Financial Services, Human Resources, Research and Innovation (R&I) and IT support. Implementing a strong customer service ethos in these areas with effective business partnering and the introduction of appropriate 'self-service' tools is enabling more efficient and effective delivery of these services.

We continue to strengthen our Programme Delivery Unit, which provides a focus for the delivery of our corporate investment programmes and projects. During the next three years this centre will manage the delivery of capital and non-capital investments likely to exceed £100 million.

Governance and organisational structure

The principal governance structure of Ordnance Survey consists of the Strategy and Operating Boards and the Audit and Risk and Remuneration Committees. The structure is further detailed in the Statement of Internal Control in the Annual Accounts.

Main operating facilities and location

Our head office at Romsey Road, Southampton, was designed and built in the 1960s when business needs were very different to today and when computer technology – now at the heart of our work – was still some way in the future. At that time Ordnance Survey employed more than 3 000 head-office staff compared to current numbers of around 1 160. The

building is expensive to maintain – despite significant improvements being made – and would need even more extensive investment to remain in line with modern standards.



As a result, we announced in December 2005 that we are planning to leave the present site and construct a new, purpose-built head office close to our current location. The proposed relocation offers a sustainable solution, meeting modern design requirements and reflecting best practice in energy efficiency and other environmental considerations, driving future operational cost savings. Investment will ensure that we can offer efficient, attractive working conditions in the Southampton area for our staff. It is anticipated that occupation of the new head office accommodation will occur during 2008–09. The plans envisage print and warehouse functions being rehoused at a specialist facility in the Southampton area.

Economic model

Ordnance Survey has fulfilled the role of national mapping agency as a Trading Fund since 1 April 1999. This is in accordance with the Government Trading Funds Act 1973 as amended, and the Ordnance Survey Trading Fund Order 1999. Under our business model, we seek to achieve a return on capital employed in line with government policy.

Ministerial responsibility rests with the Department for Communities and Local Government (DCLG) formerly ODPM (Office of the Deputy Prime Minister). In a Treasury minute dated 15 January 2004, DCLG determined the desirable financial objective for the period 1 April 2004 to 31 March 2007 was to achieve a return, averaged over the period as a whole, of at least 5.5%. The return is in the form of a surplus on ordinary activities before interest and dividends, expressed as a percentage of average capital employed.

Ordnance Survey's achievement with regard to this objective is discussed in the Financial Performance section of this review.

The market

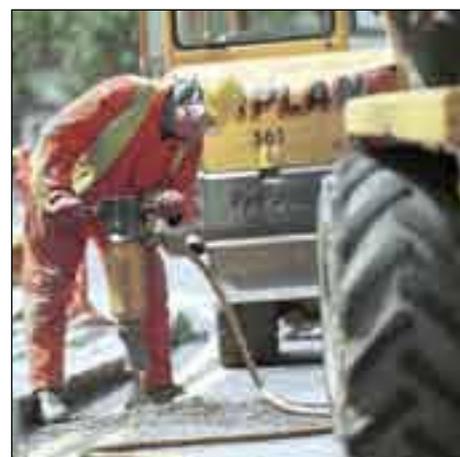
Public sector and utilities



Access to current, accurate and detailed geographic intelligence remains a key priority within the central government, local government and utility markets. The government's continued investment in sustainable communities, environment and civil contingency programmes, showing how GI can deliver efficiencies, is a key focus in the public sector. One example is the New Roads and Streetworks Act 1991, which has an impact on utilities, local government and any organisation with responsibility for, or which uses the transport network.

Oxfordshire County Council has converted its component of the National Street Gazetteer to the Integrated Transport Network (ITN) Layer of OS MasterMap using principles defined in the DNF. Road centrelines surveyed and created by Ordnance Survey have been reused and cross-referenced to create the Oxfordshire NSG highway model. This provides a secure base to record and cross-reference all data about the road network, regardless of source, providing that the same reference base is used. Interoperability between organisations and applications that share information is encouraged and enhanced, resulting in improved network stability, ease of use and reduced error rates.

'ITN is providing us with a coherent highways network for the first time, and we are developing links and exploring ways to use it as widely as possible across the county as the definitive street base.'
Dennis Young – Oxfordshire GIS Manager.



For utilities, cost effective access to and use of detailed and current GI for asset planning, management and analysis remains critical. The need to integrate asset information with customer data is a growing trend.

Private sector

Land and property (including architects, engineers, construction, legal and

real estate) is a large and complex sector comprising numerous segments structured around stages of the planning, design and construction life cycle, property development and land management. Mainly serviced by the Ordnance Survey Options and partner channels, sector demand is still growing, with primary drivers being government regeneration programmes and projects (for example, housing, road building programme and the health service's new-build programme) as well as a growing trend in commercial developments and residential improvements.

Ordnance Survey data is also actively used by a wide range of other private sector customers including the financial services, retail, transport and location and buried services markets.

Consumer

The core consumer market segments of outdoor exploration and personal navigation continue to generate the majority of our revenue in this sector.

Growth in the personal navigation market is driven by the rapid adoption of in-vehicle navigation devices, both pre-installed and after-market. The outdoors exploration market is being fuelled by handheld GPS navigation devices (custom, personal digital assistant (PDA) and Smartphone) and custom products such as PC desktop tools, data loads for GPS devices and print-out mapping for on-the-ground navigation. The traditional A0 format paper map market is increasingly under pressure from these sources.

The market for genealogical and historical information, products and associated services is expanding at a high rate, but from a low base.

The business environment

The business environment continues to evolve, with opportunities for

consolidation and growth across our established markets and in new ones.

Within our existing sectors Ordnance Survey expects to:

- secure continuing long-term relationships with government as the original Pan-government Agreement (PGA) comes to an end;
- work with the health service to ensure the success of the NHS pilot agreement;
- help local authorities maximise the potential of data within the MSA; and
- work with utility companies to address their future needs

Data sharing across sector boundaries is increasingly essential and establishing the licensing and standards to achieve this will be a challenge for all in the GI market.

In other traditional markets, evolution of the land and property sector will necessitate the exploration of new opportunities, while the consumer sector is experiencing influences from new technology, as described above. Ordnance Survey will keep developing relationships with key stakeholders in these sectors to ensure we continue to address the current and future needs of these customers

At the same time, we will continue to identify and develop new market opportunities that meet the needs of new customers. Examples include:

1. Insurance, where there is scope to use detailed GI to understand and manage risk, claims and fraud as well as ensure Financial Services Authority compliance;
2. Transportation logistics, where demand will be stimulated by government and European Union initiatives, the commercial need for better logistics and routing information; and

3. Wireless, where growth is stronger in the business-to-business market than business-to-consumer.



We anticipate that the impact of EU initiatives and legislation will increase over the next three years and beyond, as will the requirement for standards and interoperable specifications for European and global information products and services.

The increasingly sophisticated use of GI will continue to drive a demand for higher data specification and quality, including:

- data currency and consistency;
- increased need for richer attribution;
- integrated data covering all of the UK and reaching into Europe; and
- an ability to share that information easily, at least across public-sector boundaries.

Ordnance Survey will be involved in a European (and global) development of spatial data infrastructures based on common frameworks such as the DNF to drive the demand for GI.

The DNF is politically and commercially neutral in application and is being developed on an inclusive basis by organisations who create and maintain their own geographies linked to other corporate data. The DNF offers a consistent way of identifying and reusing

GI to avoid duplication of effort, increase interoperability and accelerate application development. It does this by promoting the use of unique identifiers for features as a consistent form of georeferencing for data where location is a common denominator.

The use of GI continues to become integrally linked to mainstream IT services, such as those provided by major software vendors and system integrators.

Within any business environment – and the marketplace in which Ordnance Survey operates is no different – there is, and will be competition. We face increased competition from suppliers – often based overseas – that are either geographic data content providers or are providers of both content and solutions that use GI.

Risk management

Most risks to Ordnance Survey are mitigated effectively through monitoring the market and the technological, political and social environments in which we operate and implementing proactive strategies to sustain the business.

A number of risks fall outside immediate management control. These presently relate to:

- Potential changes to European legislation that could impact on Ordnance Survey's ability to set appropriate prices to cover costs and generate a surplus sufficient to meet return on capital targets. In particular, the outcome of the proposed legislation to harmonise the Infrastructure for Spatial Information in Europe (INSPIRE) may have a significant impact; and
- Increasing competition, much of this arising from global players, along with significant technological developments.

Objectives and strategies

Ordnance Survey will balance the needs of the nation, its partners and consumers, create value for customers and stakeholders and continue to deliver the geographic data for a nationally consistent referencing framework that adheres to DNF principles.

We will collaborate with others to remove unnecessary barriers to the wider use of GI, particularly at the point of use, and support the rapid exchange and linking of information across all market sectors.

Ordnance Survey will develop service models that utilise web technology and are based on open interoperable standards. We will provide services that will enable customers and partners to exploit the national framework and data components as they themselves choose in order to deliver value to their own customers.

We will invest in the following areas to underpin the referencing system and common tools which support information exchange:

- capture and maintenance infrastructure;
- enhancement of core database content and quality;
- service and data delivery model; and
- infrastructure.

Our aims and vision will be pursued through the following strategic objectives, as set out in the Ordnance Survey Framework Document, established by DCLG in July 2004:

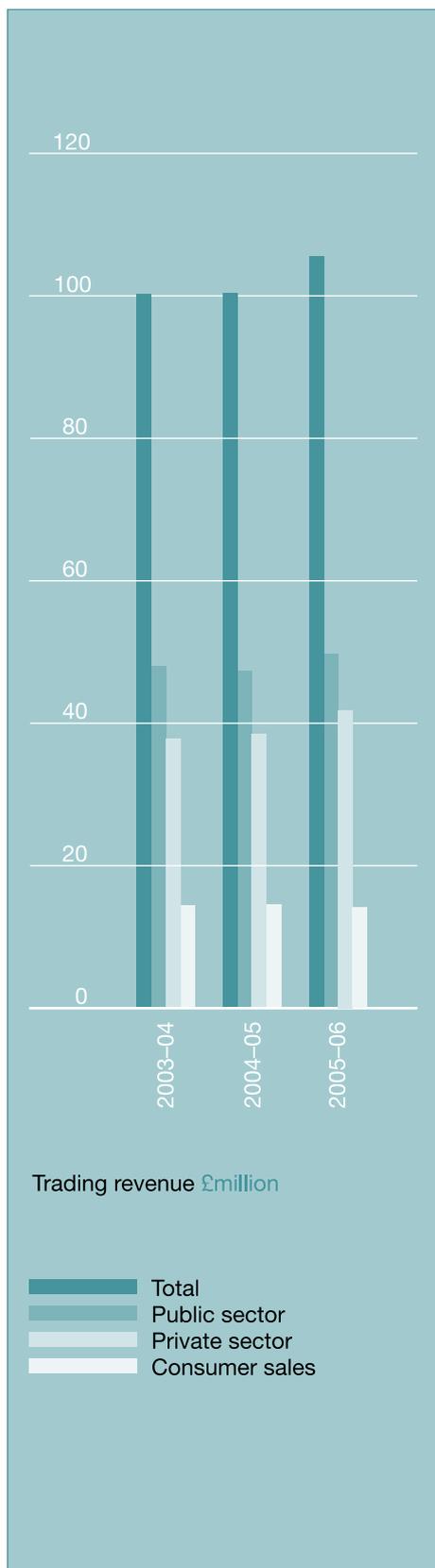
- Collect, portray and distribute the definitive record of the natural, built and planned environment of Great Britain that meets customer needs and the national interest in the most effective manner;
- Improve and maintain the definitive databases in a form that facilitates

the association and integration of additional geographic data;

- Provide, through the data, the underpinning framework for the government and the private sector to join up its spatial information;
- Provide national coverage of medium and small scale maps;
- Develop a business that focuses clearly on the needs of customers and continuously improves customer satisfaction;
- Create, develop and maintain strategic and commercial partnerships that will add further value to Ordnance Survey data and products;
- Grow the GI market and champion the extended use and sharing of GI in the government, business and leisure communities;
- Generate profitable revenue that will fund continuous improvement in database content, data structure, data delivery, up-to-dateness, fitness for purpose and accuracy;
- Provide a working environment that fosters leadership, personal development, innovation and team working; and
- Advise the UK government on all aspects of survey, mapping and GI.

Control environment

Ordnance Survey continues to strengthen its control environment, seeking continuous improvement in accountabilities, skills, processes and systems to enhance the internal processes of risk identification and management. The Statement of Internal Control outlines our responsibilities, the purpose, the capacity to handle risk and the risk and control framework and reviews the effectiveness of control during the fiscal year. Forming part of the internal control structure, our Strategy and Operations boards are actively involved in the identification and management of the strategic, operational, financial and external risks to which the organisation is exposed.



Financial performance

The financial position

Ordnance Survey delivered a surplus on ordinary activities before interest and dividend payable of £7.9 million for the 2005–06 financial year (2004–05 – £9.2 million).

This result will fund significant ongoing and planned capital investment and indicates that the financial objective of a 5.5% return on capital employed is likely to be achieved over the three years to 31 March 2007.

The results for 2004–05 have been restated to reflect the requirements of Financial Reporting Standard 12 to state the early release and pension commitment provision at a discounted amount. Full details are disclosed in the Annual Accounts.

Turnover

Turnover from operating activities, the main components of which are trading revenue and the National Interest Mapping Services Agreement, increased by £3 million, or 2.6%, in the year to £117.7 million (2004–05 – £114.7 million). The increase and the underlying factors are consistent with the business outlook expressed last year.

Turnover from trading activities

This increased by £5.1 million, or 5.1%, to £105.5 million in 2005–06. Across the private, public and consumer markets key changes over the year were:

- Public sector – up £2.2 million, or 4.6%, on 2004–05, mainly due to a successful renegotiation of our contract to supply GI to the local government authorities, a new collective agreement with the NHS and growth in the sales of imagery and Points of Interest products;
- Private sector – up £3.4 million, or 8.9%, on 2004–05, mainly through increased sales via our partner network to the land and property and personal navigation markets (up 21% on 2004–05). Direct

sales also showed good growth, particularly in the utilities sector; and

- Consumer sales – down £0.5 million, or 3.4%, on 2004–05, mainly due to a reduction in the volume of sales on our national mapping series products.

Consistent with last year, in 2005–06 less than 50% of Ordnance Survey's trading revenue came from its contracts with public sector bodies.

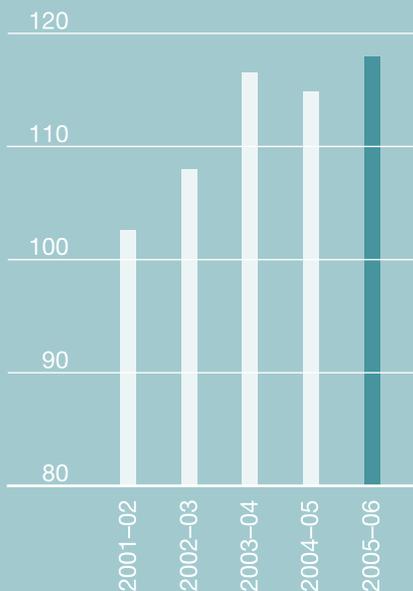
We anticipate continued growth in the private sector through further strengthening trading relations with our value-adding partners and through a growth of direct GI sales into the banking, finance and transport sectors. We are also aiming to grow public-sector revenues by providing additional products to our customers, to broadly maintain the sector mix of the past few years. The outlook for public sector revenue is, however, less stable than in prior years as the existing PGA is being retendered during 2006–07. In the consumer mapping sector we are seeking to arrest the decline seen this year in sales volume for our core paper series mapping.

National Interest Mapping Services Agreement (NIMSA)

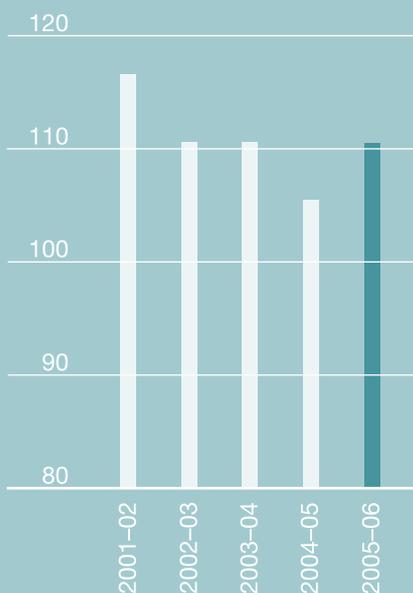
NIMSA is an agreement between DCLG and Ordnance Survey for the supply of survey and mapping services required in the national interest.

We are charged by government with maintaining the definitive, consistent record of the natural, man-made and cultural landscape of Britain, and with disseminating this information to customers across government and elsewhere. This involves the completion of some activities that are not commercially viable.

A major study of the national interest in mapping involving extensive public consultation and analysis of other evidence was completed in 1995–96 by officials from Ordnance Survey, the Department of the Environment and HM Treasury. The study confirmed that many important activities carried out in the



Turnover from operating activities
£million



Total operating costs £million

national interest require our geospatial information as an input. The availability of national mapping is crucial in regard to emergencies and disasters where there is no time to create new mapping. GI also underpins land registration in Britain, many of the functions of local and central government, including defence, the operations of utilities companies and others concerned with the national infrastructure, environmental organisations and numerous other bodies.

Turnover derived from the delivery of the NIMSA programme decreased by £2.3 million from that recorded in 2004-05 to £10.9 million. This was due to the completion of programmes in the course of the year, in particular PAI. With the conclusion of the PAI programme and in light of recent decisions by DCLG in relation to NIMSA, the revenue derived from NIMSA is expected to reduce very significantly in 2006-07.

Operating costs

Operating costs have risen to £110.6 million (2004-05 restated – £105.6 million), representing an increase of £5.0 million, or 4.7%, on the previous financial year.

The expenditure on staff salaries, net of the capitalised labour cost, represents the most significant operating cost to the organisation in the year, totalling £49.5 million, an increase of 7.8% on the £45.9 million reported in 2004-05. This reflects the likely combined impact of the as yet unsettled annual pay review and significant increases in our contribution to Cabinet Office Civil Superannuation to provide pension cover for staff who are members of the Civil Service pension arrangements. The increases have been partially offset by slightly reduced staff numbers, the average monthly number of whole-time equivalent persons employed by Ordnance Survey being 1 453 for the year 2005-06 compared to 1 473 in 2004-05. Also included in the total staff cost is a restructuring charge of £2.9 million in 2005-06; this further reflecting the net movement in staff numbers and

representing an increase of £2 million on the restated 2004-05 charge of £0.9 million.

The non-capitalised temporary and agency labour operating cost has increased by £1.9 million, or 25.0%, to £9.5 million in 2005-06, and relates mainly to costs associated with the ongoing development of our addressing infrastructure.

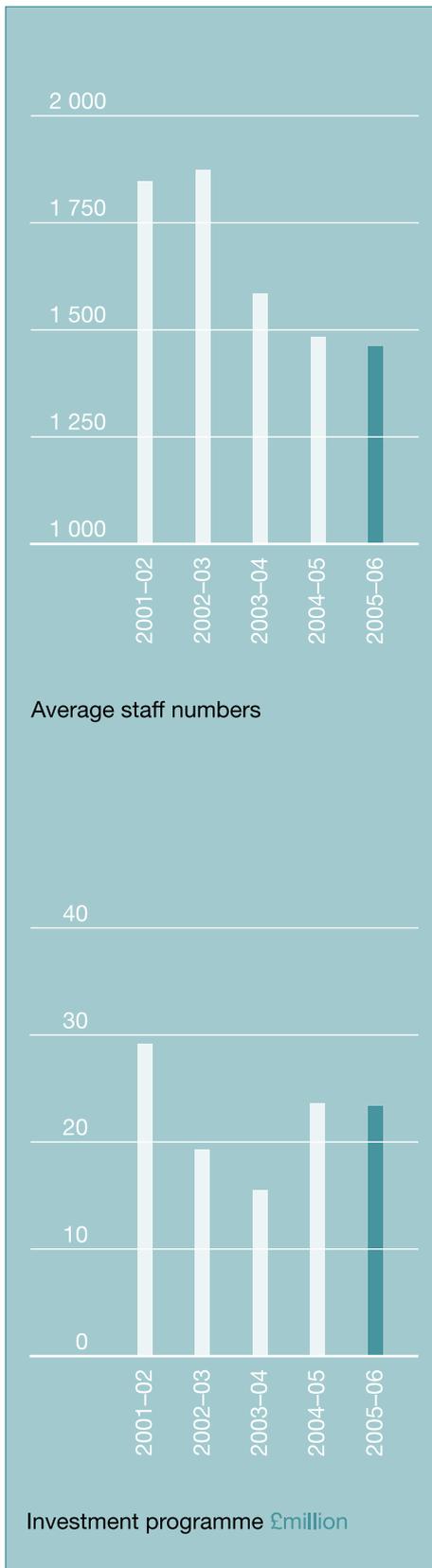
The depreciation and amortisation charge for the year is £6.2 million, up from the £5.8 million reported in 2004-05. The £0.4 million increase is due to the charge arising from capital additions made in the year exceeding the reduced charge associated with fixed assets that have become fully depreciated. The fully written down fixed asset balance as at 31 March 2006 includes the existing database management system, a replacement for which is currently in development.

Other operating charges have decreased by £2.9 million, or 6.4%, to £42.5 million (2004-05 – £45.4 million). This reflects continuing progress in realising cost efficiencies, including reduced field office costs.

Other operating charges include non-capitalised investment expenditure of £8.6 million, associated with the continued programme detailed below. This indicates a maintained level of investment when compared to the £8.3 million recorded in 2004-05.

Investment programme

The capital investment associated with the project-oriented delivery of key change programmes continued with asset replacement of £14.9 million in 2005-06. This represents a total investment of £23.5 million when added to the internally-defined convention to include non-capital operating expenditure associated with such programmes. In 2004-05 capital investment totalled £15.4 million, which, combined with non-capital investment expenditure, totalled £23.7 million.



The total programme expenditure of £23.5 million reinforces the significant and focused plan of investment in the underlying business. Through this investment, Ordnance Survey aims to enable improved maintenance of data and the delivery of enhanced and definitive databases.

The main element of capital investment in the year related to the ongoing development of the new seamless database management system, with the expenditure recorded as an asset in the course of construction. The delivery of this system is expected during 2007-08 and will create an enterprise GI capability for the collection, storage, maintenance and extraction of a greater range of products and services, while providing synchronised content and currency across products. This will also result in greater levels of data integrity for customers.

Initial investment in the head office accommodation project commenced in the year and is planned to deliver modern purpose-built accommodation during 2008-09. Strategically, the investment will deliver premises suitable for an innovative information technology-focused business, of a size and nature consistent with the modern Ordnance Survey, while also ensuring our future operating costs are suitably aligned.

Ordnance Survey will also continue to invest in related capture and maintenance infrastructure to leverage new technologies such as aerial digital cameras and Global Navigation Satellite Systems (GNSS) technology to capitalise on current technology. Future investment will also focus on improving the quality and content of the NGD and enhancing our service and delivery model to enhance new web-based delivery channels.

Other investments

Licensing of our Points of Interest database, provided by our joint venture investment PointX® Limited, has increased significantly, with turnover reaching £0.7 million (2004-05 £0.4 million). This has

resulted in PointX achieving a profit of £38 000 (2004-05 loss of £268 000).

Working capital, cashflow and liquidity

The combined cash at bank and in hand and cash on deposit balance at 31 March 2006 was £15.2 million (£17.3 million at 31 March 2005). The reduction of £2.1 million from the prior year is mainly due to the level of capital investment in the new database management system and payments due in respect of liabilities associated with the early release scheme more than offsetting the £14.9 million cash inflow from operating activities (2004-05 – £8.5 million). Overall, net current assets have decreased in the year by £5.9 million to £6.7 million. This largely reflects the reduced cash and increased creditor position at 31 March 2006. The year-end creditor position includes the increased dividend payable for the year.

Despite projected trading surpluses, overall liquidity is expected to reduce further over the next three years as a result of increased investment activity, in particular relating to the new head-office accommodation, and completion of the new database management system. It is therefore expected that Ordnance Survey will exercise some of its borrowing powers over that period to supplement the working capital position.

Treasury management

This is governed by the Ordnance Survey Trading Fund Order 1999 as supplemented by the Framework Document 2004 approved by HM Treasury. Ordnance Survey maintains its cash balances primarily in an interest-bearing account at the Office of the Paymaster General. The main purpose of these balances is to finance our operations. Sums retained in the business, but surplus to immediate requirements, are deposited in a short-term interest bearing account with the National Loans Fund, typically seven days to six months in duration. If required, Ordnance Survey may also borrow to meet working

capital needs and to fund its investment programmes. Such loans if taken would normally be repayable within a year.

To manage our minimal foreign exchange rate variation risk exposure, Ordnance Survey negotiates contracts with suppliers and contractors in sterling or major international currencies such as the euro or US dollar. Routine transactional conversions between currencies, on payables and receivables, are effected at the relevant spot exchange rate.

Capital and reserves

The General Reserve has been strengthened to £21 million at 31 March 2006 (2004–05 restated – £15.5 million). This largely reflects the operating profit for the year plus interest receivable, less the dividend payable. Asset revaluations, principally land and buildings (including investment property), have resulted in an increase in revaluation reserves of £0.7 million. Total capital and reserves have increased by £5.5 million to £59.5 million as at 31 March 2006 (31 March 2005 restated – £54 million).

During the year Ordnance Survey made scheduled loan repayments of £0.9 million (2004–05 – £1 million).

Ordnance Survey will pay a dividend of £2.6 million to DCLG for 2005–06 (2004–05 – £0.8 million). This represents a combined return to our stakeholder on the average capital employed of 5.3% for 2005–06 (2004–05 – 2.5%) when viewed with the interest paid in the year of £0.4 million (2004–05 – £0.5 million) on deemed loans from the National Loan Fund. The dividends returned by Ordnance Survey in respect of 2004–05 and 2005–06 were agreed with the DCLG.

It is currently anticipated that the dividend payment in respect of 2006–07, subject to market conditions and operational performance, will result in an overall 5.5% return on average capital employed for the three-year period ending 31 March 2007 being paid to DCLG.

The longer-term financial objective of Ordnance Survey set in the Framework Document is to achieve a return on capital employed, averaged over the three-year period 1 April 2004 to 31 March 2007, of at least 5.5% in the form of a surplus on ordinary activities before interest and dividends expressed as a percentage of average capital employed. Capital employed is to be the Capital and Reserves, that is the total of the Public Dividend Capital, loans repayable after more than one year, the General Reserve and the Revaluation Reserves.

The operating surplus for the period 1 April 2004 to 31 March 2006 represents a return on capital investment (ROCE) of 16.4% over the first two years of the three-year period.

Significant events after the balance sheet date

There have been no significant events since the end of the financial year that would affect the results for the year, or the balance sheet at year end.

Intrinsic value underlying the business

The National Geographic Database (NGD) and corporate brand

In common with many other businesses, we recognise that our financial statements fail to adequately represent the underlying value of the organisation, notably recognition of our intangible assets. Ordnance Survey possesses two principal intangible assets: the Ordnance Survey brand, and the data held in our geospatial databases. Neither is reflected on the balance sheet, but we encourage the reader of our financial statements to take these assets into account when seeking to understand the true value of Ordnance Survey's business, and to recognise that these assets are crucial to the successful delivery of future growth.

The accounting treatment of these intangible assets has been discussed in

previous years' Report and Accounts. The treatment of the brand is clear. Financial Reporting Standard 10 (FRS10) prohibits the capitalisation of internally-generated brands. The treatment of the data asset is less clear, but having taken professional advice, Ordnance Survey considers that the data is akin to intellectual property and, as such, is an intangible asset. Under FRS10, internally-generated fixed assets are only capitalised where there is a readily ascertainable market value evidenced by an active market in similar assets. As our data is unique and has never been actively traded, we consider that no value could be attached to it in the financial statements. Instead, ongoing costs of maintaining the data have been charged to the operating account as incurred and its accounting treatment and importance as an intangible asset disclosed by way of a note.

Our auditor, the Comptroller and Auditor General of the National Audit Office (NAO), has qualified his opinion each year since 1999–2000. NAO argues that the data comprises an accurate representation of a physical reality that is not affected by opinion, taste, judgement, reputation or belief and therefore differs from other intangible assets such as brands, and should consequently be capitalised in accordance with FRS15. Furthermore, NAO considers the data to be analogous to internally generated software, which, when used in conjunction with database management systems and associated hardware (both of which Ordnance Survey does capitalise), is of continuing use in the business and supports the generation of future benefits. In the opinion of NAO, it is therefore inappropriate to capitalise the database management system and hardware without also recognising the value of the data itself. In a report prepared during 2000–01, NAO assessed the various methods of calculating a value for the data, proposing a value of not less than £50 million on the basis of future income generation.

There has been no material change in Ordnance Survey's position since we

became a Trading Fund in 1999, and we continue to disagree with NAO over the accounting treatment of the data. This issue is an example of the international debate over reporting intangibles; we are monitoring developments in the wider business community, particularly the implementation of International Accounting Standards, to which Ordnance Survey is likely to be required to convert in the future, the timing of which will be determined by government. In the meantime, we urge readers of our financial statements to take account of the intangible value of both the geospatial data and the Ordnance Survey brand.

Research and Innovation (R&I)

Research activity addresses three goals based on generic core operations that can be assumed as the mainstay for Ordnance Survey for many years to come. These comprise the capture, maintenance and deployment of geographic data for use in future business and consumer decision-making processes. They are established against a challenging environment of rapidly developing technologies, and long- and nearer-term societal and consumer trends. Progress towards these goals is by delivery of a number of related targets, all of which are managed via a stage-gated approach.

Increasingly, our R&I department is involved in understanding the potential needs of users over the next 5–10 years and the marketplace for Ordnance Survey data. This helps us recognise and influence the development of standards and business practises in the future market landscape.

An inaugural event was held in September at our head office Business Centre with the objective of exploring new directions in location-based technology. The Terra future™ conference attracted more than 100 delegates from business, government and academia to discuss revolutionary thinking behind practical solutions for tomorrow's navigation tools, 3-D map data and mobile computing.

The event showcased Ordnance Survey's own research on capture, storage and interoperability of future products as well as exhibiting innovative work of our research partners and the wider information market.



The event featured a number of key industry speakers, whose presentations were made available via podcast at www.ordnancesurvey.co.uk/terrafuture.

Research staff worked with our cartographers on a trial complementing the DNF principle to collect data once, reuse many times. The collaboration employed generalisation techniques developed in R&I to derive woodland, buildings, water and coastline features from the OS MasterMap Topography Layer for automatic inclusion in the publisher's products. Generalised data offers greater accuracy and consistency with OS MasterMap and avoids the need for manual digitisation.

We continued our research into LBS, rethinking interaction with our surroundings and with each other to add direction to the query 'where am I?' The growing sophistication of mobile devices has prompted the evolution of *pointing* technology, which can deliver information about a landscape feature with the press of a button. Just point a PDA at any building and a combination of GPS technology, a digital compass and a wireless connection links you to OS MasterMap, retrieving information from our head office servers

aligned to your location and the direction you are facing. This technology delivers information associated with a building's TOID®, retrieving information about its function, age, use or condition, for example. Potential consumer applications could show you the rates and availability of hotel accommodation or detail a restaurant menu while streets, mountains and lakes could all become *clickable*.

Changes to products and services

Height

Land-Form PROFILE® Plus, launched in spring 2005, provides high-accuracy, high-resolution data for 3-D modelling for flood risk assessment, pipeline maintenance and route planning for road and rail. The data offers a 2-metre digital terrain model (DTM) with height accuracy within 15 to 25 centimetres for selected high-risk areas such as flood plains and urban areas.

BT used Land-Form PROFILE Plus in a radio propagation study to examine the effect topographic features can have on radio signals over small distances. The high-resolution data provided a level of detail, including man-made features, that previous DTMs did not allow, enabling accurate assessment of line-of-sight paths. The OS MasterMap Imagery Layer and large-scale topographic mapping were incorporated to identify surface features such as buildings and vegetation.

'Land-Form PROFILE Plus delivered a level of detail about the terrain that is not always evident in lower resolution products. The data helped us to assess the impact of a quarry and earth screening banks on whether physical objects such as barns and trees were visible to the transmitting source. The placement and height of additional screening to prevent these objects from being visible to the source could be quickly assessed without the need for site visits and ground surveys, which were previously necessary. I was impressed that earth banks as small as 2.5 m high and 4 m wide

were accurately portrayed without the need to manually include them in the analysis.'
Malcolm Hamer, BT Research

Address



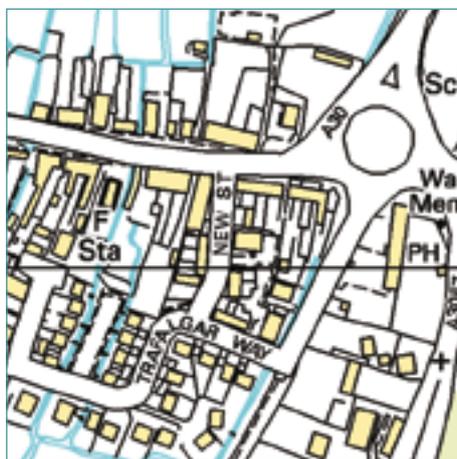
A series of enhancements were made to our most detailed digital address data, offering significant benefits to customers such as utility companies, insurers, retailers and local authorities. OS MasterMap Address Layer 2 includes a new Royal Mail® dataset of multiple residences, which provides complete address details of flats and apartments without individual postal delivery points. These are supplied with the reference details of their parent delivery address, enabling easy identification of all properties receiving utility and other non-postal services.

All addresses have been classified into residential or commercial, together with a geographic alternative address such as the locality or district name where this is not normally included. Business premises are placed in sub-categories where their trading or brand name provides clear details of their function. More than half a million alias details, such as the name of the property as well as its number and street, have been added, and in Wales Welsh language alternatives are supplied. In addition, more than a million properties that do not have postal addresses have been included. Among them are utilities' plant, community halls, churches and

public conveniences. Their locations are vital for emergency response, civil contingency planning, risk assessment, asset insurance, planning, customer services and maintenance.

As well as referencing 28 million buildings across Great Britain, Address Layer 2 includes a cross-reference table that links unique identifiers in different databases. This provides navigability between the various themes within OS MasterMap Address Layer 2 and address data created by other organisations. The aim is to make it as straightforward as possible to share and integrate different address information. The table includes unique identifiers from Royal Mail, the Valuation Office Agency and Ordnance Survey, and there are plans to link it to other datasets in the future.

Landplan® Data



Available via the Ordnance Survey Options network, Landplan Data delivers 1:10 000 scale data to the desktops of property professionals, enabling detailed analysis of project sites anywhere in Great Britain. With features such as fences, field boundaries, road names, buildings and the option to include contours, users can choose where they want their extract centred for site projects in remote upland moors as well as city centres. Landplan Data opens up direct desktop access to a detailed geographic context for visualisation, analysis and decision making.

It is a powerful planning tool for use in computer aided design (CAD) and GIS supporting applications, including land and asset management, site development and environmental impact analysis. Launched in September 2005, Landplan Data enhances the accessibility of the Landplan Plot product and further extends the Ordnance Survey Options portfolio, which includes the larger-scale Superplan Data® and Siteplan Data®.

Online services

Our digital geographic data underpins two online services launched in 2005–06. The Welsh language version of GIS Zone delivered the educational website to a new audience, inviting Welsh-speaking secondary school students to embark on role-play missions to learn about digital map data and GIS.

We revised our Election Maps website to provide digital data and mapping to almost 22 000 site visitors in the week of the 2005 General Election alone. New constituency information for Scotland was incorporated into the site, enabling each of the 646 Westminster constituencies to be viewed by local authority, ward, electoral division or parish and at several different scales of mapping from street-level detail upwards. Election Maps offers a valuable service for anyone with an interest in political geography; from parliamentary and council candidates and party workers to teachers, providing mapping according to individual or political party need in a click.

Development of our online leisure map shop continued alongside the regeneration of our corporate web presence. This improved the accessibility of www.ordnancesurvey.co.uk in line with World Wide Web Consortium (W3C) guidelines and the government's information accessibility remit.

Our GPS website delivers GPS data, services and information for post-processing and coordinate transformation. Since the

correction network was established, the amount of raw GPS data available on this free online service has been boosted by 90%. GPS users include civil engineers and surveyors, asset managers, engineers and representatives from academia and government. Data from individual OS Net stations is fed to the website directly from one central server held at our head office rather than from each station individually. This has speeded and streamlined the delivery of GPS data to customers, safeguarding accuracy through direct data flow.



Paper map products

This year saw the conclusion of an 18-month programme to roll out maps of areas of England and Wales designated with new access opportunities under the Countryside and Rights of Way Act 2000. This prompted the revision of 251 OS Explorer Maps, more than half the entire series, to reflect the extent of mountain, heath, moor and registered common land now categorised as open country.

Production schedules were dramatically compressed to prepare, check, print and distribute the OS Explorer Maps as close as possible to the regional roll-out dates, acknowledging their importance in illustrating the extent of access land not only for walkers but also for landowners, farmers and rural residents.

The revised OS Explorer Map incorporating the New Forest in Hampshire, OL22, reflects the area's new status as an English National Park, the first to be named in 50 years. This information has been updated across our paper and digital mapping portfolio.

The series has been further enhanced with the launch of OS Explorer Map – Active. These more durable, weatherproof versions of 180 of the series' most popular titles offer more choice for active map users keen to visit areas off the beaten track in all seasons.

The launch of the Trafalgar Way map marked our involvement in a year of events commemorating the bicentenary of the Battle of Trafalgar. Ancient Britain, another title in our Historical map series, was also revised, as were selected titles from the OS Travel Map series.

OS Travel Map – Route 2006 is a glovebox-sized guide to Great Britain's road network, featuring a series of ten urban navigation maps of major cities.

Product withdrawals, consultation and revision

We issued a withdrawal notice for route network data OSCAR Asset-Manager® and OSCAR Traffic Manager® products with the supersedence by OS MasterMap's ITN Layer. OSCAR will continue to be supported and licensed until 31 March 2007. The ITN Layer will build on the service delivered to existing OSCAR customers while providing additional network detail and road restriction information to support asset, traffic and fleet management applications. The ability to overlay the ITN Layer with other layers of OS MasterMap is a key benefit for these and other applications, including in-car and personal navigation devices, road safety, emergency services, environmental management and civil contingency planning.

A formal public consultation on the future of our most highly detailed topographic data invited customers and business partners moving from Land-Line® to OS MasterMap Topography Layer to help assess the potential impact of product migration on their business. Three quarters of respondents were found to be well ahead in their migration planning with more than one-third confident that they would be migrated from Land-Line to OS MasterMap Topography Layer in the next two years. We are committed to maintaining Land-Line until at least 31 March 2008 to ensure customers have time to migrate to OS MasterMap Topography Layer.



In 2005–06, there were 833 migrations from Land-Line, OSCAR and ADDRESS-POINT® to OS MasterMap Topography, ITN and Address layers. Product migrations continue in the central government, local government and utilities sectors. This year the majority of migrations have been undertaken by customers in the local government community as a result of the local authority MSA, which commenced in April 2005.

The future of bench mark and triangulation point information in our large-scale data was also subject to public consultation. Customers were asked to comment on plans to remove references to these traditional sources of height data. Feedback showed a continuing need

to provide symbols for these features, although the actual height values, including supporting information will, in time, be removed from the mapping and provided free of charge on our website. This will give surveyors still requiring physical control data to check GPS measurements easy access to height data and reflects the trend towards the provision of web-based GI.

The consultation exercise also asked for comment on the removal of marginalia information from the standard sheet format of our large-scale product range. These changes will be introduced during 2006.

We are supporting the development of a National Underground Assets Group (NUAG) to champion better coordination between utility companies, highway authorities, civil engineers, surveyors to the GI community and regulators. The group is developing best practice guidelines and standardised procedures using DNF principles for the collection, exchange, reuse and recording of information on underground assets. This information exchange will enable work to be planned to help minimise disruption and inconvenience to road users and the community, with the ultimate goal being the capacity to visualise and distinguish, on demand, all underground asset records in any one given area in 3-D.



Ahead of the launch of commercial services enabled by OS Net in December

2005, we hosted a GPS consultation workshop with the Royal Institution of Chartered Surveyors (RICS®) for 80 surveying and GI specialists. Partner organisations take the raw GPS data feed from OS Net and add their technical and commercial expertise to develop positioning applications tailored to their customers' requirements. Two partners have launched commercial services enabled by OS Net to date, and more are expected.

Fundamental to the upkeep of OS MasterMap is knowledge of changes to the environmental and built landscape. It is essential to know not only what is happening to our environment but also when and where these changes are happening and who is involved. Our Change Intelligence team acquires information on addresses, transport networks and topographic features from a variety of sources such as central government departments, utility companies, private organisations, private landowners, our network of field surveyors, local and national media and the general public. This data is centrally stored and analysed to plan and prioritise data capture methods. We work with architects and developers to ensure new projects are put on the map as swiftly as possible, updating OS MasterMap using photogrammetric and ground surveying techniques.

Relationships

Stakeholders

Ordnance Survey's stakeholders include staff, partners, customers, suppliers, government, the general public and Britain's mapping and GIS industry. We aim to keep these stakeholders informed on progress and plans as a matter of principle, answering enquiries in a timely and accurate manner.

Ordnance Survey complies with the Better Payment Practice Code. In

2005–06, 97.9% (95.7% in 2004–05) of all approved supplier invoices were paid within the contractual conditions, or within 30 days of receipt of a valid invoice.

Partnership

Partnership underpins everything we do, and we collaborate with a wide range of Licensed Partners and developers who help evolve products and services based on our GI.

Our annual partner conference in May 2005 attracted 140 partners, publishers and developers to discuss the best solutions and services involving geographic data and mapping technology for commercial markets. The conference championed the growing use of GI across a range of business sectors and the benefits of the DNF, recognising the increasing need for integration of location information across public- and private-sector services and products.



Ordnance Survey has been reaccruited as a fair trader in government information by The Office of Public Sector Information (OPSI). The key characteristics of fair trading as defined by OPSI include openness, transparency, and fairness. This is particularly appropriate for Ordnance Survey as we are committed to making information as widely accessible and reusable as possible.

Performance against targets

Ordnance Survey's business performance over the financial year is measured externally against six targets set by government. The Key Performance Indicators (KPIs) reflect the national mapping agency's focus on delivering intelligent GI to ensure the satisfaction of the national interest and the needs of the customer. The monitors detailed below include a focus on the financial performance in the year, efficiencies in data collection and supply, achieving value for money for all stakeholders, an increasing focus on online services and a commitment to wider government policies. Progress towards their achievement is reported to staff on a monthly basis and regularly reviewed by Ordnance Survey's Strategy Board.

- To achieve an operating profit before interest and dividends of £5.8 million for the financial year 1 April 2005 to 31 March 2006.

This monitor provides an overall assessment of the financial performance of the business. Ordnance Survey focuses on growing profitable revenue and containing costs across the organisation. Strategy Board and Operating Board monitor performance through a monthly report prepared by the Finance department.

Actual performance: £7.9 million (2004–05: £9.2 million)

- To represent 99.6% of significant real-world features in the database within six months of completion

The components of this monitor remain unchanged from those for 2004–05.

Actual performance: 99.86% (2004–05: 99.85%)

- To continuously improve the timeliness of the supply of our data to customers

by processing and dispatching at least 95% of orders within agreed timescales.

Reports are produced from data held in our core systems at the beginning of each month for orders in the previous month and for the year to date. Performance is continually monitored by our Digital Supply team.

Actual performance: 99.63% (2004–05: 97.82%)

- To achieve cost efficiencies in our data collection activities averaging at least 5.5% per annum over the period April 2003 to March 2006.

The direct cost per data collection unit of output is aggregated using a weighting algorithm. Performance against this monitor is reviewed on a monthly basis and compared with an updated annual target.

Actual performance: 29.9%, averaging 10% per annum

- To reduce carbon emissions from Ordnance Survey headquarters by 27% against the base year of 2000–01.

The government's greening operations and the work of green ministers have agreed the reduction of energy consumption to be a target for all departments. A 1% per annum reduction in greenhouse gas emissions forms the 2000–01 base year target. In accordance with this monitor and due to the impact of combined heat and power (CHP), Ordnance Survey is working to reduce its carbon emissions for a third year.

Actual performance exceeds 27% (920 tonnes against base year of 1478 tonnes)

- To increase product sales by at least 5% via customer transactions through Ordnance Survey Options and

Ordnance Survey leisure map shop e-channels.

This monitors the development of Ordnance Survey's e-business and focuses on all products ordered electronically through the leisure map shop, Ordnance Survey Options and the Desktop Mapping System. The monitor counts the number of individual items ordered, not the number of orders.

Actual performance: 9.2% (2004–05: 10.2%)

While discussions with our stakeholders have taken place on the measurement of performance going forward, the targets for Ordnance Survey remain to be set for the financial year 2006–07.

Other measures used by senior management

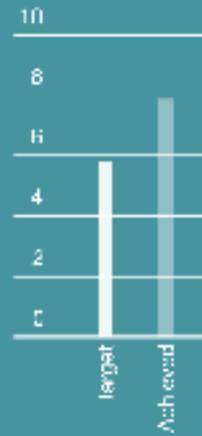
The Strategy Board uses a balanced scorecard approach to internally monitor performance on a monthly basis, facilitating the effective measurement of organisational strategy delivery and the management of the business. This adopts measures with a financial, customer service, resource use and people focus. Of the six KPIs, one (profit) is financial, three (delivery, eBusiness and currency) are customer-service focused and two (efficiency and carbon emissions) form part of the resource-use assessment.



Vanessa Lawrence
Director General and Chief Executive
7 July 2006



Alastair Matthews
Finance Director
7 July 2006



Opening profit
Million



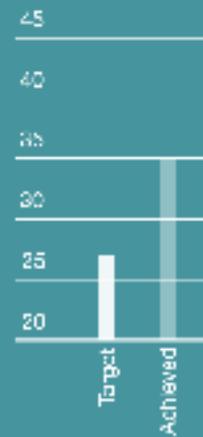
Database update %



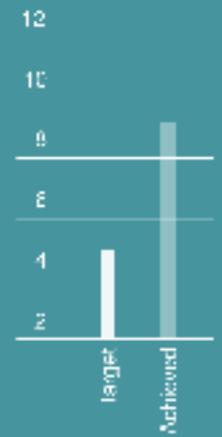
Data supply %



Data collection %



Reducing emissions %



E-channels custom %



**Case studies
on Ordnance Survey
data in action**

Case studies on Ordnance Survey data in action

The following examples describe applications of Ordnance Survey's data, whether directly or through tailor-made solutions developed by our partner organisations.

Central government

The Pan-government Agreement (PGA) gives central government departments, agencies and non-departmental public bodies access to an extensive portfolio of digital GI. When used within a GIS, the data can inform decision making by regulatory bodies. The PGA is helping government to gain the best return for its investment in GI by increasing efficiency and effectiveness. This benefits the government organisation, its customers and the nation. The agreement is designed to facilitate interoperability with local government, emergency services and utilities. Members are encouraged to freely exchange data they create to reinforce joined-up government and enable the delivery and application of a national standard in intelligent data. As 80% of information held by government has a geographic context, 'location' data enables disparate resources from across departments and third-party organisations to be cross-referenced and reused.



The Health and Safety Executive (HSE) offers a good example of the PGA in practice, using our GI to underpin the creation of a National Population Database (NPD) for hazard and major accident modelling and analysis. It traditionally calculated population estimates using census data and paper mapping. Digital data has added a spatial dimension to this process, mapping buildings and other land-uses to predict the population

of places such as road networks, sports grounds, schools, workplaces, hospitals and shopping centres at different times of the day, week, month and year. This has fine-tuned analysis into populations potentially at risk from a range of hazards and the potential impact of new developments on populations.

'Ordnance Survey data provides both the keys to pull together population information from a range of sources and provides a national, consistent specification to baseline the model against.'

Dr Helen Balmforth, Health and Safety Laboratory.

All Public Health Observatories (PHOs) use web mapping to improve access to population health data, methods and expertise. The Eastern Region PHO's Health Atlas for the East of England depicts primary care trusts (PCTs), wards and strategic health authority areas with corresponding health and socio-demographic data. Users can view information, such as the spread of smoking-related deaths and hospital admission rates, at a glance.

The West Midlands Health GIS Service uses digital mapping to put data from health organisations across the region into its geographic context. Using these geographic relationships, health-care planners are better able to understand the social and environmental conditions of their area whilst considering different patterns of health-care delivery.

Trials commenced on a computerised data exchange and recording system, powered by OS MasterMap, to underpin the Scottish Road Works Register. Comprising Scottish Councils' roadworks information and details of planned utility excavations, this centralised electronic notifications system will help identify plant and asset ownership and ease congestion through better coordination of works.

Maintained by non-profit organisation Susiephone Ltd for the Scottish Executive,

the current Extranet system enables the automated exchange of records. OS MasterMap will boost its functionality by powering a web server hub to improve the coordination, planning and quality of roadworks throughout Scotland, reduce unnecessary damage to utilities plant and contribute to operator health and safety.

Health services

The Pilot NHS (England) Agreement provides access to a range of digital data for organisations, including acute, care, and mental health trusts, PCTs, strategic health authorities, cancer registries and ambulance trusts. This agreement gives existing GI users access to a broader data portfolio and new users the opportunity to road-test digital data ahead of longer-term procurement. As of 31 March 2006, 350 organisations had applied to join the agreement, with 207 fully signed up. Health service managers can use the data to support their policies and performance, particularly in relation to the allocation of resources and facilities and the routing of mobile services.

Bolton PCT is using data provided by the Pilot NHS (England) Agreement to drive forward existing processes and underpin new ones. GI enables the PCT to plan the availability of services and distribution of resources based on location and specific patient requirements. Bolton used its GIS to help complete a health equity audit, reviewing and restructuring services as required to match the needs of the community. This has included pinpointing pockets of deprivation within what appear to be outwardly prosperous areas, gauging the demand and take-up of health services and evaluating potential sites for resource centres based on the location of public transport links.

'By plotting the impact of various policy-change scenarios, managers have a clear visual tool which helps them grasp the implications of decisions in a way that a set of spreadsheets never can.'
David Holt, Bolton Primary Care Trust.

Local government

GI can help local government agencies improve strategic decision making and deliver better, more sustainable services to meet e-government initiatives and targets. Adding and linking information to digital data can enable better analysis of locally-held datasets and boost efficiency and customer service.

The MSA gives more than 500 local government organisations access to our digital mapping and geographic data. The agreement covers all district, county and unitary councils, metropolitan borough councils, London boroughs, national park authorities and local police and fire services.

Teignbridge District Council in Devon is using GPS tracking in its refuse collection vehicles to rationalise route planning. The district has a dispersed population with both built-up urban areas and sparse rural areas, which has caused logistical difficulties in planning. Combined with OS MasterMap Topography and ITN datasets, the routes taken by refuse crews can be plotted and volume of waste monitored to evenly distribute workloads, save fuel and optimise the collection service.

Terrafix Ltd, a provider of vehicle tracking and mobile mapping solutions for ambulance services across the UK, is using OS MasterMap ITN Layer to underpin services delivered by its new ruggedised mobile data unit. ITN provides a flexible, up-to-date mapping framework for users to create routes in real time, taking into account height restrictions, traffic calming, turn restrictions and one-way roads. The data associated with each link and node on the road network allows meaningful navigation to be provided to the vehicle users in reaching individual incidents.

Thirty-three local authorities are making substantial savings through participation in the Elgin (Electronic Local Government Information Network) project, driven

by OS MasterMap data and rapid map server technology.

Authorities can publish roadworks and related information to a common online service, www.elgin.gov.uk, sharing system development, software licensing and geographic-data-processing costs. This delivers an intelligent vector map to the user's web browser, providing map- and text-based access to information for the whole region on a single map. This improves public access to services and cuts the number of call centre enquiries.

Elgin also enables the coordination of street-works activities across local authority boundaries, a requirement under the Traffic Management Act. Authorities' street-works systems automatically connect to Elgin on a daily basis to keep the data current.

Based on the Empress Specification, a framework for seamless e-Government services, coordinating activities on a common map enhances e-Government efficiencies and greatly reduces the amount of administration from previous paper-based processes.



GI supplied in an agreement with the Greater London Authority (GLA), Transport for London (TfL) and the London Development Agency underpins the capital's ongoing preparations to host the 2012 Olympic and Paralympic Games.

This data is also helping to shape web applications supporting citizen-based services and an online public services directory. Staff can share data with other GI users, creating the potential to link intelligent data across the public and private sectors, for example, the strengthening of links between London boroughs and utilities companies under new street-works legislation. TfL is also widely using GI in the planning and preparations for the UK stage of the 2007 Tour de France, which will run through London and Kent, finishing at Canterbury.

South Wales Fire and Rescue Service is using map data to improve emergency response times and access vital information at the scenes of incidents. Sophisticated in-cab systems have been installed in every frontline appliance to provide firefighters with digital mapping on route to emergencies. This includes real-time information such the location of fire hydrants. The in-cab system is linked to GPS and to a central computer to enable users to access and share incident information.

Our Mapping for Emergencies (MFE) scheme supplies paper-map products and GI to organisations and emergency services to support their response to major civil crises. This year, the MFE assisted a range of organisations, including the police, the Ministry of Defence and the Cabinet Office, supplying paper mapping and digital data such as aerial imagery and Points of Interest layers. In the immediate aftermath of the London bombings on 7 July 2005, our MFE team worked with key organisations to proactively offer support. This included working alongside the Department for Transport to produce a range of wall maps, flyers and handouts incorporating London Transport data. In the weeks that followed we supplied a number of organisations with full national coverage of requested data products to inform their contingency planning.

Housing associations



GI is enabling social landlords to strategically assess their housing stock, helping them meet decent homes standards and building sustainable communities, pinpointing homes at risk of decline, identifying potential for new build and ascertaining how overall performance management can be improved. Location data can underpin management systems and databases to help track every transaction, maintenance requirement, site valuation and inventory to a specific location in a single system.



Westlea Housing Association, which runs 6 000 properties, uses GI in proactive estate management to help improve the analysis and representation of its property database and streamline the general management of its portfolio. Users can

monitor boundary changes, the condition of buildings, derelict land and assess the potential for development sites.

'It's not just technology for technology's sake. GIS really comes into its own when drilling right down to information affecting individual properties. It is a very powerful tool to have multilayered information available to all interested parties at the touch of a button.'

Keith Baker, Westlea Housing Association Project Manager.

Ordnance Survey hosted a free seminar programme for housing associations, offering practical advice from the Housing Corporation, Audit Commission, English Partnerships® and housing associations on how GI can support the management of social housing. The programme reflected growing recognition of the value of location data in helping to meet the government's decent homes criteria and longer-term vision for neighbourhood improvement and sustainable communities.

Private sector and commercial



Awareness and use of location information is growing rapidly across the private sector, with GI underpinning services and processes in markets such as insurance, utilities, wireless and land and property.

Our data underpinned the planning and presentation of race information

for the 2005 Tour of Britain cycle race. Navigation and mapping software from Licensed Partner Memory-Map™, based on Ordnance Survey data, helped plan the routes and chart the progress of cyclists over 500 miles and six days of competition from Glasgow's George Square to the heart of Westminster. Organisers used 3-D mapping, including hill profiles and aerial photographs, to calculate accurate distances and gauge the difficulty of each stage remotely and to provide real-time tracking for competitors, supporters, organisers and police.



System suppliers

System Supplier Partners provide geographic data-enabling tools, software and services for public- and private-sector customers, including government, health and utility organisations. Their services facilitate customer migration, shaping customer applications to enable the management and integration of our data. This year has seen a range of collaborative ventures, including a customer migration seminar, jointly-published case studies, staff attendance at partner events and briefings, exploratory technical workshops and OS Insight initiatives.

Snowflake Software is developing innovative solutions for OS MasterMap and, in turn, enabling customer migration. Hampshire County Council is using

Snowflake's software to centrally manage its OS MasterMap holdings, while the Forestry Commission has been able to improve the management of its forests by integrating OS MasterMap with its existing business information using Snowflake's solutions.



Events

The Ordnance Survey Outdoors Show, Europe's biggest outdoor consumer show, gave 40 000 visitors the opportunity to view the entire range of our off-the-shelf maps, including the revised OS Explorer Map titles. Staff discussed the depiction of newly mapped open country and partners Garmin®, Memory-Map and Anquet demonstrated the benefits of their latest navigation products based on our mapping data.



Vanessa Lawrence launched the 2005 Isle of Wight Walking Festival, which attracted 10 000 people to the island's 500 miles of footpaths and 30 miles of heritage coastline. The festival offers over 170 guided walks tailored to suit all ages and abilities, from seasoned ramblers to leisurely strollers. Representatives from Ordnance Survey hosted a map-reading session to give participants confidence and essential navigation skills when exploring the countryside.



Ordnance Survey staff attending the Head for the Hills outdoor pursuits event in the Lake District shared orienteering advice with visitors. We sponsored the Practical Navigation Zone, delivering seminars, product demonstrations, future technology and an innovative GPS treasure hunt, and teamed up with

Memory-Map and Garmin to host a series of demonstrations, seminars and guided GPS walks.

Our attendance at the Royal Welsh Show in July 2005 raised awareness of the designation of access opportunities across Wales. First Minister for Wales, Rhodri Morgan, commented on our swift production of revised OS Explorer Maps and commended the collaborative work that took place with the Countryside Council for Wales to achieve this target.

As one of a group of organisations championing the DNF, we welcomed the opportunity to promote the widespread sharing and reuse of GI in a 'DNF Forum' at the AGI Conference and Expo in November 2005. It hosted presentations and demonstrations of DNF in action, and experts already working in line with the principles shared their experiences. OS MasterMap was developed using the DNF and was the intelligent reference dataset employed by the Countryside Agency and its contractor Black and Veatch to identify and map access land under the Countryside and Rights of Way (CRoW) Act 2000. The project was the first extensive use of the DNF, the first use of OS MasterMap on a national basis and the first to deliver a legal statutory map in digital form. Its achievements were acknowledged in the Information Management Awards 2005 with the 'Premier Project' accolade.



International engagement

Ordnance Survey plays a full role on the international stage, working closely with national mapping and cadastral agencies (NMCAs) around the world to share and contribute to developments in GI. This involves a busy programme of knowledge sharing on issues such as common standards in the adoption of GI and the reuse of data across organisations and physical boundaries.

Ordnance Survey's six-month tenure chairing the Permanent Committee on Cadastre (PCC) in the European Union facilitated moves towards more joint-working arrangements between the PCC and EuroGeographics, the representative organisation for national mapping and cadastral agencies. Our key focus during the presidency was closer collaboration on engagement with the EU on the INSPIRE Directive and continuation of key projects on Cadastral Parcel Identifiers, among other significant issues involving GI.



We hosted an inaugural interim event, CC:The Exchange, in July 2005 to complement the long-standing four-yearly Cambridge Conference for heads of NMCAs. The event gave senior representatives from more than 40 countries the opportunity to discuss key business and technology issues with their contemporaries. CC:The Exchange featured a presentation on how digital map

data supports natural disaster relief efforts, debate on the effects of globalisation on NMCAs and trends and challenges in the development of GI.

This year we have hosted a number of visits from international representatives to promote the benefits of information exchange, collaborative support and learning, exploring topics, including geospatial strategy, photogrammetry, change intelligence, PAI and the DNF. The National Land Survey of Sweden discussed database management, while officials from China's Qing Hai Province Measuring and Survey talked about staff qualification and development. A visit from the Japanese Ministry of Land, Infrastructure and Transport addressed Ordnance Survey's use of unique feature identifiers, or TOID®s, and the benefits of linking data to a base reference. Visitors from Romania's National Agency for Cadastre and Land Registration came to head office prompted by their interest in OS MasterMap.



Following an exhaustive review, we transferred our International Collection of 50 000 maps and 1.5 million aerial photographs from around the world to a variety of museums and collections across the country. Maps and survey information from more than 60 countries, some of it spanning more than 100 years, were moved from our head office to a number of specialist institutions, including The

National Archives, the British Empire & Commonwealth Museum and the Royal Geographical Society. The International Collection was formed when Ordnance Survey merged with the Directorate of Overseas Surveys (DOS) in 1984. The transfer will safeguard these unique historic records and enable wider public access to them.



A member of our Information Systems team flew to Pakistan to provide PC technical support and maintenance following the earthquake in October 2005. Phil Bridges worked with MapAction, a UK-based international charity that specialises in the mapping of disaster areas and supplying GI for humanitarian relief operations. Using the latest GIS technology, MapAction works to produce instant, real-time maps of a disaster and delivers the information to other agencies in the field.



The year in facts and figures

A total of 782 public-sector and utility customers migrated from legacy products to OS MasterMap during the year out of a total 1 370.



Paper maps printed at head office, including all off-the-shelf titles, external contracts and Free maps for schools totalled 5.1 million.

We delivered 38.4 terabytes of data to our customers.

Free Maps for 11-year-olds has distributed over 3 million maps since its launch in 2001, with 750 000 supplied to Year 7/Primary 7 pupils in the 2005–06 school year.

A total of 220 individuals from 160 organisations are involved in the OS Insight programme, which offers partners and customers the opportunity to contribute to the development of our products.

The number of visits made to the corporate website totalled 5.5 million.

We completed our comprehensive PAI programme, affecting around 155 000 square kilometres of Great Britain.

Navigator badges, sponsored by Ordnance Survey, were awarded to 18 046 Cub Scouts and 3 506 Scouts.

We welcomed 29 new members to our Accredited Data Consultant programme.

The full series of England and Wales OS Explorer Map titles was revised to show access land – 251 titles in all.



We supported 15 MSc and 12 PhD students in their studies.

We ran 20 separate GI and personal development masterclasses, with the programme attracting over 600 staff to date.

Over 450 training events have been held this year, with around 300 externally run and 150 internal.

A total of 93% of budget holders attended our Focusing on Value programme.

We completed the delivery of the Focusing on GI programme to all staff, extending it across all field offices.

More than 40 staff applied for our Future Leaders development scheme, with six candidates being supported on the 2005–07 modular programme. Two further applicants continue to receive coaching and guidance towards their personal development.

The number of business products in our portfolio is now 29; including the separate layers of OS MasterMap, the figure rises to 33.

A total of 32 000 square kilometres of photographic survey work was completed

in 2005, equating to 0.16% of the earth's landmass.

Ordnance Survey collaborates with more than 100 national mapping and cadastral agencies spanning the globe.

The Press Office tracked almost 6 500 stories in the print media in 2005, reaching a potential readership of around 45 million. It proactively generated over 100 radio and television broadcasts and reached a regional radio audience of 27.6 million listeners.

The Latitude outlet in Potters Bar sold the Ordnance Survey Options network's one millionth piece of data since it was established in 2002.

We hosted a visit from three former Ordnance Survey Directors General. Walter Smith CB OBE (1977–1985). Peter McMaster (1985–1991) and Geoff Robinson CBE (1998–1999) met with Vanessa to learn about projects, including our new height model, the GPS correction network and the access land programme. They also saw a demonstration of current GPS and data-collection techniques.

Quarterly reviews by the Department for Constitutional Affairs for our Freedom of Information responses revealed that response to enquiries in the standard statutory deadline of 20 days during 2005 were Q1 – 98%, Q2 – 100%, Q3 – 97%, Q4 – 94%.

This year, further and higher education subscribers to the Digimap® service created almost two million maps on screen, printing over 115 000 print files and downloading almost 550 000 map data files for use as teaching and learning materials.

A total of 82 further education institutions subscribed to Digimap during the course of the year. The total number of staff and students registered to the service has reached almost 34 000 since its launch.





**Corporate and Social
Responsibility (CSR)**

**Safety, health and
environmental review**

Corporate and Social Responsibility (CSR)

Ordnance Survey is committed to using its expertise and resources to realise social, environmental and economic benefits for its staff, the local community, the nation and beyond.

Sponsorship and corporate support

Our Platinum sponsorship of the AGI's annual event was complemented with the appointment of three Ordnance Survey staff into prominent roles within the Association. David Henderson, one of our Principal Consultants, was elected to serve as a member of AGI Council and fulfil the role of Honorary Secretary to the Association. Our International Engagement Manager, Sallie White, is the conference chair for AGI2006. Pete Roberts, a GI Consultant based in mid-Wales, has been elected to serve as chair of the AGI Cymru regional group for 2006.

A sponsorship agreement with the Royal Geographical Society (RGS) and the Institute of British Geographers (IBG) builds on our long-standing link with the society and to promote geography education, research and lifelong learning. We provide continued support for the Society's bursary scheme and annual awards, recognising excellence in secondary school teaching and postgraduate research. A number of Ordnance Survey staff are pursuing the RGS 'fellow' or 'chartered geographer' status.

'We have a substantial common interest with Ordnance Survey in promoting geography and the understanding it brings about places, landscapes, people and environments.'

Rita Gardner, RGS Director.

We also backed Geographical magazine's 'Young Geographer of the Year' competition, which encouraged

1 000 school pupils to write an essay on the subject 'Is the UK in 2005 overpopulated?' Explorer Tom Avery, the youngest Briton to walk to both the North and South Poles, recounted tales of his adventures and presented prizes to the budding geographers and their schools.

We have a rolling agreement with Channel 4 archaeology programme Time Team to provide OS MasterMap, to add spatial context to the archaeology. The programme's surveyor uses GI to create physical images, such as buildings and forests, and generate 3-D mapping to put the site being excavated into perspective.

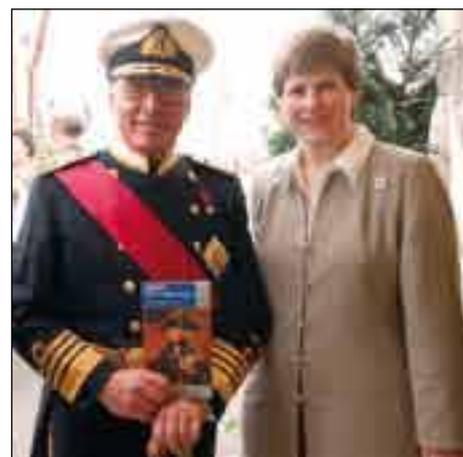


As part of our involvement in events commemorating the bicentenary of the Battle of Trafalgar, we sponsored two berths on the Jubilee Sailing Trust's ship *Lord Nelson* on the New Trafalgar Dispatch voyage from Portsmouth to Cadiz in Spain. This expedition was part of a campaign to benefit people of all physical abilities. Jennifer Reeve, a young leukaemia patient, was one of the two people we sponsored on the journey.

'It was truly an experience of a lifetime, which I will never forget. Not only did I get to help crew a beautiful tall ship but I also made several new friends, and I enjoyed being able to buddy up with a

lady who was blind, which gave me a better understanding of the difficulties some people have and how we can help them.'

Jennifer Reeve, 19.



More than twenty female staff took part in the Cancer Research UK™ Race for Life®, raising £800 in personal sponsorship. This amount was supplemented by funds from a raffle held at our head office summer barbecue, which raised more than £1 000. Ordnance Survey added its annual £1 000 corporate donation to the charity, taking the total to more than £2 800.

Other organisations we have continued to support directly during the year include Leukaemia Busters, Hope and Aid Direct and the Scout Association.

In the coming year we will launch a match funding initiative to support staff raising money for charity through sponsored activities such as walks, cycle rides and fun runs.

In the lead-up to Christmas 2005 staff at head office supported local charity SCRATCH (Southampton City and Region Action To Combat Hardship), donating toys, foodstuffs and other goods for distribution to people living in Southampton. In addition, we pledged £250 to replace donations lost as a result of a charity lorry fire.

Education

The number of children and schools taking part in our *Free maps for 11-year-olds* initiative continues to rise, with more than three million OS Explorer Maps distributed to date. The 2005–06 initiative was supported by survival expert Ray Mears, who offered a bushcraft survival day for twelve children as part of a competition describing how their maps were used in the classroom.

One winner described an amusing discovery made with his new map:

'There are lots of places with strange names like 'Maggots Grove' and 'Rabbits Piece Copse'. I wonder how these places got their names? Looking at a map is like reading a story about the landscape and all the people who live in it.'

Last year Tapton School in Sheffield won a £3 000 interactive whiteboard, projector and laptop computer by describing how pupils used their free maps to liven up geography lessons and explore the local landscape.



Free maps for 11-year-olds received an award from the RGS 'for providing outstanding non-commercial support for school pupils learning geography.' Our work in the education sector was further acknowledged by the Scottish Association of Geography Teachers

(SAGT), who presented us with the non-book award for GIS Zone, an online resource to help pupils understand and explore working with digital map data.



An agreement granting staff and students at further-education institutions across the country subscription-free access to our highly detailed digital mapping for one year from August 2005 to July 2006 has increased further-education subscriptions to 82 over the last year. Online service Digimap – provided by EDINA, a data centre based at the University of Edinburgh and funded by the Joint Information Systems Committee (JISC), part of the Higher Education Funding Council for England (HEFCE) – enables users to view, print and download maps of any location in Great Britain at a series of predefined scales. Its 31 000 subscribers can also download map, postcode and place name data to query and display with appropriate application software such as GIS, CAD, spreadsheets and databases.

'Institutions can experiment with Digimap to enrich the teaching and learning experience in a wide range of courses. Maps can be incorporated in teaching and learning materials like course packs, lecture notes, presentations, student reports and projects as well as virtual learning environments.'

Lorraine Estelle, JISC Collections Manager.



Our Education team delivers resources, advice and support for school pupils, students and teaching staff. We are involved in a programme of teacher training courses throughout the year and provide Post Graduate Certificate in Education (PGCE) training to student teachers on how best to use our data in class along with GI software and web tools



We showcased software solutions for the teaching of geography at the BETT show in January. In addition, we distributed free teachers' guide to education packages that use Ordnance Survey digital map data and demonstrated the comprehensive range of education resources we develop and provide online.

Staff development and involvement

Ordnance Survey is a diverse organisation providing a dynamic working environment. It is paramount that staff benefit from an inclusive and supportive working environment that recognises the importance of maintaining a good work-life balance. This reflects the hard work and commitment that lies at the heart of our business success.

We have sustained an emphasis on improving performance this year. We have continued to embed our corporate performance management system by providing further training and development to 300 line managers in financial and value management through our *Focusing on Value* programme. In addition, we have involved all staff in a *Focusing on You* training programme to provide new tools and skills to help them be more successful in the workplace.

Staff feedback is used to continually review and enhance our Managing Your Contribution (MYC) performance appraisal system, which itself was revised this year to simplify the process and reduce paperwork. MYC enables staff to better align their role within their team and overall business objectives for a clear picture of their contribution to our success.

Feedback from our masterclass training workshops and personal development sessions indicated that many staff are keen to take a proactive role in their career progression, from setting short-term goals to shaping future career paths.

We distributed a career toolkit CD-ROM to all staff to help them monitor their career progression, providing advice on setting new goals and achieving existing ones, downloadable tools to establish training needs and templates to help plan measurable targets.

Again, this year we invited staff to have *Your Say*, a survey of employee opinions. This has provided a valuable source of information in respect of the progress we have made over the last 12 months and provides us a focus with which to plan change and development.

Ordnance Survey continues to provide training for all new managers. We have revised our learning and development provision and offer a range of in-house programmes specifically tailored to the needs of the business. A number of events have also been run to help teams agree their performance targets and to improve the way in which we work together. There has been increased focus on personal development, with many people being coached to improve their influencing skills, communication and their development of others.



Our Future Leaders programme is in its third year, delivering opportunities for candidates to develop vital skills to fulfil their senior manager potential. The 2005–07 programme attracted more than 40 applicants from across the business. Six candidates continue to be supported on this two-year modular course, which provides coaching, mentoring, and both core and bespoke training and development.

We support a number of staff in their studies for academic qualifications,

complementing our in-house training. Members of Internal Audit are studying for a Diploma in Internal Audit Practice (PIIA) with the Institute of Internal Auditors and an NVQ initiative has been launched with the RICS. Ten data collection staff completed the Advanced Operations Management programme (ADOPS), designed to help students identify and implement significant changes to processes to improve efficiency and quality. Successful participants become 'Embedded Specialists', responsible for ensuring technical knowledge within the business not only remains current, but is continuously developed and improved.

In recognition of our effective investment in the training and development of our staff, we continue to hold the Investor in People (IIP) national quality standard.

Learning resources available inhouse from our Information and Learning Resource Centre include a library of CD-ROMs, books, videos, DVDs and e-learning channels. Our masterclasses are filmed and are available on loan from the Library and can be supplied on CD to staff in our network of field offices.

The effectiveness of internal communication channels is continuously monitored. Guidance and advice are available to all staff whenever required, setting appropriate standards for business communication activity.

Primary communication channels are under continuous review and development, including a focused Intranet communication site that reflects the business groups' goals and supports corporate objectives. All employees are encouraged to submit business messages and share activities and success stories with their colleagues.

The Ordnance Survey Departmental Whitley Council provides for regular consultations with employees' representatives.

Investing in people

We have a number of policies in place to support our commitment to being a family-friendly organisation. Our on-site nursery and school holiday play scheme remain well subscribed and flexitime, part-time working and job-share arrangements allow staff to work around their family commitments. In addition, we offer generous maternity provisions, paternity, parental, adoption and special leave and operate a support group for staff with caring responsibilities outside work.



Our Occupational Health Service team launched the Care First Employee Assistance programme to make staff aware of the services available to them and their families. Care First is an independent specialist provider of professional counselling, information and advice services, running a 24/7 advice and referral service.

Springboard™, a women's development programme, was relaunched to advise female staff in setting their own agenda for personal life and work. This highly successful programme was reinstated following staff feedback, highlighting the need for more easily accessible training and development. Springboard offers advice and guidance for women at any age and stage of their career.

Community and environment

Eleven staff took advantage of our policy granting all staff one day's paid leave to contribute to voluntary projects.

Thirty staff helped clean up a green riverside area, Tanner's Brook, situated close to head office. They joined forces with neighbourhood wardens, Southampton City Council employees, staff from the Environment Centre and local residents to rid the area of damage from fly tipping. Activities included removing rubbish, cutting back undergrowth and clearing streams to preserve the natural environment for wildlife, residents and local businesses to enjoy.



Our commitment to protecting the environment was further reflected in a programme of recycling and trial projects to minimise the amount of office-generated waste. A successful pilot initiative was completed in two departments, with staff replacing their waste bins with paper tidies to sort recyclable waste from their desks.

Membership of Business in the Community™ links us to an environmental network of 700 British companies committed to improving their positive impact on society and identifying and addressing key challenges to achieving this. Members make a pledge

of continual improvement in responsible business practices. They also commit to tackling disadvantage and inspiring, innovating and leading through shared learning and experiences.

We received a Hampshire and Isle of Wight Sustainable Business Award for our environmental policy, acknowledging work to recycle and reduce waste, monitor our energy and water usage, implement an environmental travel plan and minimise our impact on the environment. We also received a thematic award for skills development. The judges specifically mentioned the accessibility of masterclass training, the Learning Resource Centre and the encouragement given to staff to take their expertise to the wider community through volunteering activities.



'Ordance Survey succeeded in minimising the environmental impacts of its operations and core business and contributed to local employment. Their social responsibility is highlighted through their many people-orientated policies and procedures.'
Sustainable Business Award judges' report.

We received an award from Solent SkillQuest for our involvement in the Future Choices project. Volunteers from head office mentored local students to help improve numeracy skills.

Safety, health and environmental review

Environment

We are continuing to integrate an environmental management system (EMS) into the business to support the Corporate Environmental Policy statement. Available on the staff Intranet, the EMS will be used to manage and reduce the environmental impact of the business concerning energy, waste, water, travel plan and procurement. We continue to collect these figures to enable year-on-year comparison with our baseline data.

Energy

The APM (Agency Performance Monitor) to reduce emissions from energy consumed at head office is on target, with a reduction of 27% on the baseline year of 2000–01. Approximately 43% of our electricity requirements are met by our own gas-fired plant. The waste heat from the plant is used to heat the building, reducing carbon dioxide emissions. The remainder of our electricity is obtained from the grid under a contract where electricity is generated from a renewable source. Ordnance Survey thus exceeds government targets to obtain at least 10% of electricity from renewable sources.

Waste

Our packaging waste remains under the packing regulations threshold of 50 tonnes while our level of recycling has increased. In 2003–04 we recycled 26%, in 2004–05 29% and this year we are approaching 39%, in line with government targets.

We continue to review our waste streams to prevent waste at source and minimise refuse to landfill. Recent initiatives include recycling CDs, reusing pallets and promoting and raising awareness of recycling to reduce the amount of waste sent to landfill.

Travel Plan

Our Travel Plan is in its third year, encouraging alternative forms of travel to our head office site and, where possible, our regional offices. In 2002, single occupancy car commuting comprised 61% of the workforce. In 2005, this figure dropped to 58%.

A number of initiatives encourage this change. Subscribers to our Car sharing scheme tripled since its relaunch last year, with 92 registered groups. Sales of on-site bus tickets have increased by 98%. The number of staff cycling to work, on average, has increased by 31%. This year's

Bike2Work day attracted over 100 staff, 19% of whom do not usually cycle to work. Of these, 60% said they would consider regular cycling as a future option.

Health and safety

We embarked on a major exercise during the year to support health and safety by developing dedicated 'safety cases' for each of our Business Groups. These online documents provide information, guidance and support on many health-and-safety matters specific to each area of the business and provide links to external websites to give users quick-and-easy access to wider industry information.

The exercise further raised staff awareness to health-and-safety matters and reporting procedures to ensure the continued recording of accidents and near misses. Effective health-and-safety reporting enables continued vigilance to ensure the causes of accidents are investigated and remedied, and in the case of near misses, allows necessary processes and remedial works to be undertaken.

We are exploring the potential to provide health-and-safety e-learning to staff with the development of an enhanced online learning toolkit. Various modules are planned to be introduced during the next financial year.

Customer satisfaction

Our Customer Service Centre (CSC) answers a wide variety of enquiries from all types of customer. The number of enquiries has risen from 114 559 in 2004–05 to 132 455 in 2005–06, and although the volume of telephone enquiries fell, correspondence enquiries (email, letter, fax) have risen.

The average wait time and number of lost calls have fallen significantly since March 2005, partly due to the implementation of a new telephone system, which enables better routing of incoming telephone enquiries.

	Year to March 2006	Year to March 2005	% variance
Complaints	663	574	15
Telephone calls received	73 684	77 446	-5
Correspondence	58 771	37 113	58
Total enquiries	132 455	114 559	16
Order lines	506 903	521 865	-2
Trade orders	16593	17 602	-5
Average wait time	11.4 seconds	16.3 seconds	-30
Lost calls	1.38%	2.30%	-40

Recruitment and equal opportunities

We recognise and actively promote the benefits of a diverse workforce. As part of the Ordnance Survey Diversity Plan, Directors support policies for giving full and fair consideration to applications for employment from people with disabilities, having regard to their particular aptitudes and abilities. There is also support for continuing the employment of staff who have become temporarily or permanently disabled during their employment, and for the training, career development and promotion of people with disabilities. We launched a complementary online diversity training package this year, which includes information for managers and staff. Our equal opportunities policy incorporates our race relations equality scheme and we operate a harassment policy facilitated by a network of trained volunteers. Our equal opportunities provisions are regulated through meetings with union representatives, liaison with disability employment advisers and via open forums, where staff are invited to express their views, discuss topical issues and share information with senior managers.

Ordnance Survey is registered with the Employment Service as an employer who is Positive About Disabled People.

Recruitment activity 2005–06

To ensure recruitment activity is carried out on the basis of fair and open competition and selection on merit, in accordance with the Recruitment Code laid down by the Civil Service Commissioners, all external campaigns are audited annually by our Internal Auditors as part of our Corporate Governance Compliance checking. External recruitment compliance monitoring is also carried out by self-assessment and Ordnance Survey supplies reports on this self assessment to the Civil Service Commissioners' auditors. In addition to the details given below, there were four exceptions to the Recruitment Code this year: staff on short-term appointments.

Applicants

Post	Total	Male	Female	Ethnic minority	Form not returned	Disability
Senior Manager Head	33	27	3	1	27	0
Senior Manager/Professional	103	87	16	0	94	0
Middle Manager	271	189	52	3	141	0
Technical/Business Manager	528	403	105	52	296	2
Technical/Business Officer	294	243	48	13	133	1
Technician/Service Provider	108	69	39	2	42	0
Support	4	0	4	0	4	0
Total	1 341	1 018	267	71	737	3

Invited to interview

Post	Total	Male	Female	Ethnic minority	Form not returned	Disability
Senior Manager Head	1	1	0	0	0	0
Senior Manager/Professional	13	12	1	0	9	0
Middle Manager	31	18	11	2	30	0
Technical/Business Manager	106	78	25	16	51	0
Technical/Business Officer	35	23	11	2	9	0
Technician/Service Provider	23	17	6	0	7	0
Support	4	0	4	0	4	0
Total	213	149	58	20	110	0

Successful

Post	Total	Male	Female	Ethnic minority	Form not returned	Disability
Senior Manager Head	1	1	0	0	0	0
Senior Manager/Professional	5	5	0	0	2	0
Middle Manager	15	8	6	1	8	0
Technical/Business Manager	26	16	10	5	8	0
Technical/Business Officer	12	10	2	0	2	0
Technician/Service Provider	6	4	2	0	3	0
Support	2	0	2	0	2	0
Total	67*	44	22	6	25	0

*8 offers declined

Directors' remuneration report

1. Remuneration policy

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

In reaching its recommendations the Review Body is to have regard to the following considerations:

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

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

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

2. Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made. The officials covered by this report hold appointments that are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk

The inclusion of a Directors' Remuneration Report containing information about the salary and benefits of the senior managers of Ordnance Survey is a requirement of the Government Financial Reporting Manual (the FReM). Please note that the actual salary and benefit details of each Director form the audited elements of this report, as referred to in The Certificate and Report of the Comptroller and Audit General to the Houses of Parliament, which is to be found on page 56 of the Annual Accounts.

3. The Remuneration Committee at 31 March 2006

The Remuneration Committee is chaired by the Director General and Chief Executive, Vanessa Lawrence, and meets at least annually to agree the remuneration policy and practice for Executive Directors and other senior staff. Judith Anthony and Piers White, Non-Executive Directors, and Jan Hutchinson, Director of Human Resources and Corporate Services, served on the Remuneration Committee. The Director General and Chief Executive is not present for discussions on matters concerning her remuneration; at these times her place is taken by Jan Hutchinson, Director of Human Resources and Corporate Services.

4. Directors' remuneration

The most senior members and key decision makers of Ordnance Survey are the members of the Strategy and Operating Boards, details of whom are contained in the Foreword to the accounts.

The salary and the value of any taxable benefits in kind of the most senior members of Ordnance Survey were as follows:

	Salary 2005–06 including performance pay	Salary 2004–05 including performance pay
	£'000	£'000
Vanessa Lawrence Director General and Chief Executive	180–185	175–180
Neil Ackroyd Director	130–135	110–115
James Brayshaw Director	130–135	125–130
Steve Erskine Director (Until 18 November 2005)	45–50 (70–75 full year equivalent)	70–75
Jan Hutchinson Director	115–120	105–110
Alastair Matthews Director	125–130	115–120
Ed Parsons Chief Technology Officer	105–110	95–100
Duncan Shiell Director	90–95	90–95

a. Salary includes gross salary, performance pay, recruitment and retention allowance and all allowances that are subject to UK taxation.

b. The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. In 2005–06 Neil Ackroyd also had use of a car under the terms of the Private User Scheme, the benefit in kind of which was £3 300.

c. The Director General and Chief Executive's remuneration for 2005–06 includes a bonus paid in respect of 2004–05. The bonus payable for 2005–06 has yet to be approved.

	Real increase in pension and related lump sum at age 60	Total accrued pension at 60 at 31 March 2006 and related lump sum	Cash equivalent transfer value (CETV) at 31/03/05	CETV at 31/03/06	Real increase in CETV after adjustment for inflation and changes in market investment factors
	£'000	£'000	£'000	£'000	£'000
Vanessa Lawrence Director General and Chief Executive	2.5–5 plus 0–2.5 lump sum	10–15 plus 10–15 lump sum	117	198	41
Neil Ackroyd Director	0–2.5 no increase in lump sum	5–10 plus 0–5 lump sum	53	96	23
James Brayshaw Director	0–2.5	5–10	58	103	25
Steve Erskine Director (Until 18 November 2005)	0–2.5 plus 0–2.5 lump sum	25–30 plus 80–85 lump sum	356	473	11
Jan Hutchinson Director	0–2.5 plus 2.5–5 lump sum	0–5 plus 10–15 lump sum	53	92	25
Alastair Matthews Director	0–2.5	0–5	28	60	23
Ed Parsons Director	0–2.5 plus 2.5–5 lump sum	5–10 plus 15–20 lump sum	42	75	16
Duncan Shiell Director	0–2.5 plus 2.5–5 lump sum	35–40 plus 110–115 lump sum	698	877	32

The Director General and Chief Executive and Ordnance Survey Directors in the table above are members of the Principal Civil Service Pension Scheme. Details of the scheme are contained in Note 1.9 to the Accounts and further details can be found at (www.civilservice-pensions.gov.uk).

Vanessa Lawrence and Neil Ackroyd are members of the Classic Plus Scheme; Alastair Matthews and James Brayshaw are members of the Premium Scheme; the remaining directors are all members of the Classic Scheme. Vanessa Lawrence is also a member of the Civil Service Supplementary (Earnings Cap) Pension Scheme 1994. This is an unapproved, unfunded retirement benefit scheme (UURBS) laid under the Superannuation Act 1972. It provides benefits to members in respect of pensionable pay over the earnings cap. The benefits are calculated in the same way as benefits in the PCSPS.

The table above shows the member's CETV accrued at the beginning and the end of the reporting period and the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a

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

Please note that the factors used to calculate the CETV were revised on

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

6. Non-Executive Directors

The Non-Executive Directors are appointed by the Minister responsible for Ordnance Survey on the recommendation of the Chairman of the Selection Board and any others the Minister may wish to consult. Their remuneration and terms of appointment are agreed at the time of their appointment, which is normally for two years with the option for this to be extended for a further two years. By exception and on completion of the two year optional period, any further extension is offered under mutually agreed terms.

7. Payments to Non-Executive Directors

Ordnance Survey Non-Executive Directors are not Ordnance Survey employees and are not members of the Principal Civil Service Pension Scheme.

Fees paid to Non-Executive Directors were as follows:

	2005-06	2004-05
	£'000	£'000
Judith Anthony	15-20	10-15
Sir Michael Bett	15-20	10-15
Michael Sommers	15-20	10-15
Piers White	15-20	10-15



Vanessa V Lawrence
Director General and Chief Executive
7 July 2006





Annual Accounts for the year ended 31 March 2006

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Foreword to the accounts

Management Board

There are two corporate boards in the Ordnance Survey senior management structure. These are:

- The Strategy Board – responsible for reviewing strategic options, setting corporate policy and monitoring performance at corporate level to ensure the successful discharge of the remit assigned to Ordnance Survey by Ministers. The Strategy Board includes all Ordnance Survey Executive and Non-Executive Directors.
- The Operating Board – responsible for all operational matters within Ordnance Survey at a corporate level and for implementation of the strategy agreed by the Strategy Board. It comprises all Ordnance Survey Executive Directors.

At 31 March 2006 the Strategy Board comprised

Vanessa Lawrence	Director General and Chief Executive
Neil Ackroyd	Director of Data Collection and Management
James Brayshaw	Director of Sales and Market Development
Jan Hutchinson	Director of Human Resources and Corporate Services
Alastair Matthews	Finance Director
Ed Parsons	Chief Technology Officer
Duncan Shiell	Director of Strategy

Judith Anthony	Non-Executive Director
Sir Michael Bett	Non-Executive Director
Michael Sommers	Non-Executive Director
Piers White	Non-Executive Director

In addition to the Ordnance Survey Directors above, Steve Erskine, Director of Programmes and Products, served on the Operating Board until he resigned on 18 November 2005 to take up another post in the Civil Service.

Company Directorships of Board members in 2005–06.

As explained in Note 19, Duncan Shiell, Alastair Matthews and Ed Parsons were Directors of PointX Limited, and Vanessa Lawrence was a Non-Executive Director of the Office of the Deputy Prime Minister (Department for Communities and Local Government from 5 May 2006) during the year. Michael Sommers was a Non-Executive Director of the Department for Work and Pensions and Judith Anthony was a Director of An Ju Limited.

There were no other Company Directorships or other significant conflicts of interest of Board Members.

Audit and Risk Committee at 31 March 2006

At 31 March 2006 the Audit and Risk Committee comprised

Judith Anthony
Sir Michael Bett
Michael Sommers
Piers White
Alastair Matthews
Duncan Shiell

The Remuneration Committee at 31 March 2006

Full details of the remuneration committee and the remuneration of Executive and Non-Executive Directors are given in the Directors' remuneration report on page 46.

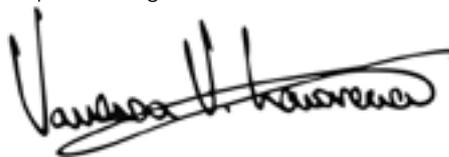
Auditor

The Auditor is Sir John Bourn, Comptroller and Auditor General. The actual costs of the statutory audit services provided by the National Audit Office for 2005–06 are estimated at £64 200 and provision is included in these Accounts (see Note 4).

Results for the year

The surplus for the year is £5 391 000 (£7 867 000 before interest and dividends) which was transferred to the general reserve as shown in Note 14. A dividend of £2 620 000 for the financial year ended 31 March 2006 is payable to the Department for Communities and Local Government (formerly the Office of the Deputy Prime Minister) (see Note 6).

Details of the achievement of the longer-term financial objective are shown in Note 21. Further details are contained in the Annual Report Management Review.



Vanessa V Lawrence
Director General and Chief Executive
7 July 2006

Statement of Agency's and Director General and Chief Executive's responsibilities

Under Section 4(6) of the Government Trading Funds Act 1973 HM Treasury has directed Ordnance Survey to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction applicable to all Trading Funds issued by HM Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year end and of its income and expenditure, total recognised gains and losses, and cash flows for the financial year.

In preparing the accounts the Agency is required 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 have been followed and disclose and explain any material departures in the financial statements; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Agency will continue in operation.

HM Treasury has appointed the Director General and Chief Executive of Ordnance Survey as the Accounting Officer for the Agency. Her relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Framework Document, and in the Accounting Officers' Memorandum issued by HM Treasury and published in Government Accounting (The Stationery Office®).

Statement on Internal Control

1. Scope of responsibility

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

As Director General and Chief Executive of Ordnance Survey, I am accountable to the Minister responsible for Ordnance Survey at the Department for Communities and Local Government (formerly the Office of the Deputy Prime Minister) for the performance of Ordnance Survey in accordance with the Framework Document and Ordnance Survey's Corporate Business Plan. I make periodic reports to the Minister on Ordnance Survey's performance and progress and have at least one meeting each year with the Minister to discuss strategy, performance and risk management.

I am official advisor to the UK Government on all aspects of survey, mapping and geographic information and may therefore be called upon by any department of central government for such advice. I seek and take into account the views of others in government and the wider geographic information industry when formulating such advice if requested by ministers or officials from the department to which advice is being given.

2. The purpose of the system of internal control

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

3. Capacity to handle risk

In Ordnance Survey we have a comprehensive risk management process reaching every level of the business under the leadership of our Strategy Board (Ordnance Survey Executive and Non-Executive Directors) and Audit and Risk Committee. Our Director of Strategy acts as Chief Risk Officer and manages a small team, including our nominated Risk Improvement Manager, working across the business to promote continuous improvement and adoption of best practice within the corporate risk management processes.

We are developing a culture to support the effective management of risk while encouraging the controlled risk-taking necessary to

deliver the outcomes needed by our customers and partners. We are committed to the ongoing improvement of our risk management processes and have provided detailed guidance to staff to support our policy, outlining roles and responsibilities and providing a consistent approach to risk management and terminology across Ordnance Survey.

4. The risk and control framework

Our strategy for risk management is designed to achieve a cost effective balance between mitigation and acceptance of risk. Risks are proactively managed at all levels of the organisation so that Ordnance Survey's exposure to risk is known, reported and maintained at an acceptable level. Senior management have responsibility for embedding a consistent risk and control framework throughout the organisation, which ensures that:

- risks to the achievement of business objectives, from strategic to operational level, are proactively identified, categorised and prioritised through a corporate risk register in a consistent manner throughout the business;
- actions to mitigate identified risks to acceptable levels are designed, assigned an owner, implemented and reviewed for effectiveness;
- risks are evaluated for potential impact, likelihood and proximity and regularly reviewed to ensure they remain at an acceptable level to the business; and
- the performance of the overall risk management process is kept under review to ensure it is working effectively and adding value to the business.

Acceptable levels of risk are determined and risk management is embedded in the activities of Ordnance Survey through the roles and actions of the key decision-making groups:

- Strategy Board (including all Executive and Non-Executive Directors) receives a monthly business report identifying significant business risks and sets the acceptable level of risk through its consideration of those risks and the appropriateness and effectiveness of chosen mitigation strategies;
- Operating Board (Executive Directors) receives regular updates from responsible officers on our key investment programmes and the risks influencing successful delivery;
- Investment Group acts as the focal point for the management of risks which are part of our financial investments;
- Corporate Programme Board ensures that risks are taken into account in managing the programmes and projects for which they are responsible through the Programme Delivery Unit;
- Business Group management boards review local risks and provide input into the corporate risk reporting process; and
- The Ordnance Survey Audit and Risk Committee provides independent assessment of the effectiveness of our internal risk management processes, supported by Internal Audit and the National Audit Office.

Ordnance Survey is committed to involving stakeholders where practical in the management of risks that impact upon the business. Stakeholder perspectives are considered during the

business planning cycle and production of the Business Plan for the Minister through the involvement of the Non-Executive Directors and wide consultation with our customers and partners about our future product development programmes and pricing models.

5. Review of effectiveness of control

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within Ordnance Survey who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Strategy and Operating Boards, the Audit and Risk Committee, and the Corporate Programme Board, and plans to address weaknesses and ensure continuous improvement of the system are in place.

The process I have applied in maintaining and reviewing the effectiveness of the system of control includes contributions by:

The Strategy Board, who:

- monitor the external business environment and challenge internal business performance to ensure the long-term strategy and vision remain relevant and effective;
- discuss and challenge the effectiveness of key risk management strategies reported in the corporate risk register and in doing so set the risk-appetite of the business; and
- review management's response to the more significant control issues identified by Internal Audit.

The Operating Board, who:

- ensure the efficient and effective management of operations designed to ensure implementation of Ordnance Survey's strategy; and
- receive reports on various aspects of the business to ensure internal control is maintained and risk is managed effectively.

The Audit and Risk Committee, who:

- advise me and the Strategy Board on issues of risk, control, governance and associated assurance;
- review the work and performance of Internal Audit and its observations regarding the adequacy of the internal control framework, including appropriateness of management's responses to issues raised; and
- discuss progress reports and the management letter from the National Audit Office.

Internal Audit, who:

- operate to Government Internal Audit Standards;
- carry out a risk-based programme of work aligned with the

corporate business planning framework and containing the main business processes, projects, assets, performance, legislative and compliance issues significant to Ordnance Survey's strategic direction, business goals and risk environment; and

- provide reports to me, the Board and the Audit and Risk Committee on: progress with the audit programme; the outcome of individual audits, in the form of an opinion on the effectiveness of the framework of risk management, control and governance in place designed to support the achievement of management's objectives; and, management's proposed actions in response to audit observations on the adequacy of risks mitigation.

The Head of Internal Audit, who provides me with an annual report on the effectiveness of risk management, control and governance throughout Ordnance Survey.

The National Audit Office, which provides me with a management letter discussing the findings arising from their review of the annual accounts and reports on other assignments they may carry out from time to time.

6. Audit Assurances

In accordance with the requirements of the Companies Act, I confirm that, as Accounting Officer for Ordnance Survey:

- there is no relevant audit information of which the auditors are unaware;
- I have taken all the steps necessary to ensure that the auditors are aware of all relevant audit information; and
- I have taken all the steps necessary to establish that Ordnance Survey's auditors are aware of the information.

Overall, I consider there are no significant areas of control weakness within Ordnance Survey. Considerable progress has been made during the year to strengthen the risk management framework. Work that commenced during the year to fully integrate risk registers is ongoing and the processes in place for review of risk at Board level are being refined.



Vanessa V Lawrence
Director General and Chief Executive
7 July 2006

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

I certify that I have audited the financial statements of Ordnance Survey for the year ended 31 March 2006 under the Government Trading Funds Act 1973. These comprise the Operating Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Agency, Director General, Chief Executive and Auditor

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

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

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

I review whether the statement on pages 54 and 55 reflects Ordnance Survey's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's

statements on internal control cover all risks and controls, or form an opinion on the effectiveness of Ordnance Survey's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises pages 1 to 48 of the Annual Report, including the Management Review and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Director General and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to Ordnance Survey's circumstances, consistently applied and adequately disclosed.

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

In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Adverse Opinion

Ordnance Survey's turnover of £118 million derives principally from the exploitation of data held in Ordnance Survey's National Geographic Database, the creation of which has been funded from public monies over many years. As disclosed in Note 1.7 to the accounts, the Agency has not capitalised the costs of setting up and maintaining the data held in the National Geographic Database in its Balance Sheet. In the Agency's view, the data is an intangible fixed asset that does not meet the conditions for capitalisation set by Financial Reporting Standard 10. In my opinion, the data held in the National Geographic Database is a tangible fixed asset that should be capitalised in accordance with Financial Reporting Standard 15. Having taken expert advice about the valuation of the data held, in my view the value to the business is not less than £50 million. Had the data been capitalised at that value, the effect would have been to increase the tangible fixed assets included in the Balance Sheet at 31 March 2006 from £56 million to £106 million.

In my opinion:

- In view of the effect of the decision not to capitalise the data held in Ordnance Survey's National Geographic Database as a tangible fixed asset in accordance with Financial Reporting Standard 15, the financial statements do not give a true and fair view of the state of affairs of Ordnance Survey at 31 March 2006 or of its surplus, total recognised gains and losses and cash flows for the year then ended;
- in all other respects, the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Details of my adverse opinion are set out in my report on the 2004–5 accounts (HC84, 2004–05), the facts of which are still relevant to the 2005–06 accounts.



John Bourn
Comptroller and
Auditor General
11 July 2006

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

Note:

The maintenance and integrity of Ordnance Survey's website is the responsibility of Ordnance Survey's Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Operating account for the year ended 31 March 2006

	Note	2005-06		Restated*
		£'000	£'000	2004-05 £'000
Turnover				
Turnover from operating activities	2.1	117 727		114 738
Income from investment property	2.2	628		335
Government grant income	2.3	1		2
			118 356	115 075
Operating costs				
Staff costs	3.3	61 888		54 422
Amortisation of intangible fixed assets	7.1	464		488
Depreciation of tangible fixed assets	7.2	5 711		5 349
Other operating charges	4	42 541		45 381
Total operating costs			110 604	105 640
Operating surplus			7 752	9 435
Share of operating profit/(loss) – PointX	8		19	(134)
Total operating surplus			7 771	9 301
Profit/(loss) on disposal of fixed assets			96	(60)
Surplus on ordinary activities before interest and dividend payable			7 867	9 241
Interest receivable	5	1 435		1 655
Interest payable and financing charges	5	(1 291)		(998)
Net interest			144	657
Surplus on ordinary activities before dividend payable			8 011	9 898
Dividend payable	6		(2 620)	(800)
Surplus for the year			5 391	9 098

All Ordnance Survey activities are continuing. There have been no material acquisitions or disposals in the year.

Statement of total recognised gains and losses for the year ended 31 March 2006

	Note	2005-06	Restated*
		£'000	2004-05 £'000
Surplus for the financial year		5 391	9 098
Unrealised gain on revaluation of fixed assets	14.2	201	1 753
Unrealised gain/(loss) on revaluation of investment assets	14.2	531	(1 382)
Total gains relating to the financial year		6 123	9 469
Prior year adjustment	1.15	3 459	
Total gains recognised since last annual report		9 582	

* Restated (Note 1.15)

The notes on pages 61 to 71 form part of these accounts

Balance sheet at 31 March 2006

	Note	31 March 2006		Restated*
		£'000	£'000	31 March 2005 £'000
Fixed assets				
Intangible fixed assets	7.1	778		1 273
Tangible fixed assets	7.2	55 598		46 217
Fixed asset investments				
– Property	7.3	7 914		7 383
– Other investments – PointX	8	61		(22)
			64 351	54 851
Current assets				
Stocks and work-in-progress	9	1 396		1 725
Debtors	10.1	14 178		14 284
Prepayments	10.2	1 645		1 757
Cash on deposit	15.4	12 100		14 000
Cash at bank and in hand	15.1	3 070		3 285
		32 389		35 051
Creditors – amounts falling due within one year	11.1	(25 654)		(22 426)
Net current assets			6 735	12 625
Creditors – amounts falling due after more than one year	11.2		(145)	–
Provisions for liabilities and charges over one year	12		(11 484)	(13 518)
Total			59 457	53 958
Financed by:				
Capital and reserves				
Public Dividend Capital		14 000		14 000
Loans repayable after one year	13	7 288		8 006
General reserve	14.1	21 018		15 478
Revaluation reserve – tangible and intangible fixed assets	14.2	10 083		9 937
Investment revaluation reserve	14.2	7 068		6 537
Total			59 457	53 958

* Restated (Notes 1.15 and 1.16)

The Accounts were approved on 7 July 2006.



Vanessa V Lawrence
Director General and Chief Executive and Agency Accounting Officer

The notes on pages 61 to 71 form part of these accounts

Cash flow statement for the year ended 31 March 2006

	Note	31 March 2006		Restated*
		£'000	£'000	31 March 2005 £'000
Net cash inflow from operating activities	15.2		14 907	8 516
Returns on investments and servicing of finance				
Net interest received	16.1	1 044		1 210
Net other investment	16.3	(83)		59
Unwinding of early release cost discounts	12.1	(881)		(540)
Net cash inflow from returns on investments and servicing of finance			80	729
Capital expenditure and financial investment				
Net capital expenditure	16.2		(15 440)	(14 906)
Cash outflow before financing and use of liquid resources			(453)	(5 661)
Equity dividends paid	6		(800)	-
Management of liquid resources				
Reduction in short term deposits	15.4		1 900	7 000
Financing				
Repayment of deemed loans	11.1		(862)	(1 030)
(Decrease)/increase in net cash			(215)	309
Cash Movement				
(Decrease)/increase in cash in the year			(215)	309
Cash at bank and in hand at 1 April			3 285	2 976
Cash at bank and in hand at 31 March	15.1		3 070	3 285
Reconciliation to net cash				
Net funds at 1 April	15.4	8 417		14 078
(Decrease)/increase in net cash		(215)		309
Reduction in liquid resources – Short term deposits	15.4	(1 900)		(7 000)
Reduction in borrowings – Deemed loans		862		1 030
Net funds at 31 March	15.4		7 164	8 417

* Restated (Notes 1.15 and 1.16)

The notes on pages 61 to 71 form part of these accounts.

Notes to the accounts

Note 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to Ordnance Survey's accounts.

1.1 Accounting conventions

These accounts have been prepared under the historical cost convention, modified to include the revaluation of fixed assets, to meet the accounting and disclosure requirements of the Companies Act 1985 and accounting standards issued or adopted by the Accounting Standards Board so far as those requirements are appropriate.

They are in compliance with the accounting principles and disclosure requirements of the Government Financial Reporting Manual. The Financial Reporting Manual is the technical accounting guide that complements guidance on the handling of public funds published separately by the relevant authorities. The Manual is prepared following consultation with the Financial Reporting Advisory Board and is issued by the relevant authorities in England and Wales, Scotland and Northern Ireland.

1.2 Freehold land and buildings

The control and management of the freehold land and buildings head office site in Southampton were vested in Ordnance Survey from 1 April 1974 as if legal transfer had been effected.

The land and buildings comprising the head office site used in the principal business of Ordnance Survey were revalued on 31 March 2006 by King Sturge in accordance with the Appraisal and Valuation Standards produced by the Royal Institution of Chartered Surveyors (5th edition). The amount of this valuation was £19 160 000 consisting of £9 220 000 for land and £9 940 000 for buildings occupied by Ordnance Survey. The head office buildings occupied by Ordnance Survey have a remaining estimated useful economic life of 15 years.

The basis of valuation for Ordnance Survey occupied buildings is Existing Use Value assuming vacant possession. The values are included in these accounts on the Ordnance Survey Balance Sheet and details are contained in Note 7.2. There were no additions to land in the year. The market value of the owner occupied land and buildings was £9 715 000 at 31 March 2006 per the professional valuation performed by King Sturge.

Ordnance Survey (under Treasury guidance) is deemed to be the owner of one common user estate property located in Peterborough. This is included in Tangible Fixed Assets (Land and Buildings) on the Balance Sheet. In 2003–04 the property was declared surplus to requirements and was actively marketed as an investment with part vacant possession. An offer assuming part vacant possession and representing the market valuation was received and contracts legally exchanged as at 31 March 2006. The transaction was completed after 31 March 2006, when legal title to the freehold property passed from Ordnance Survey.

1.3 Investment property

The investment property was revalued on 31 March 2006 by King Sturge. The basis of this valuation is Market Value and the amount of the valuation was £7 913 500. No depreciation is charged on investment property. Details are included in Note 7.3 and rental income is shown in Note 2.2.

1.4 Other fixed assets

- 1.4.1 The minimum level for capitalisation as a fixed asset is £5 000 with the exception of Information Technology (IT) infrastructure and support systems hardware which is normally £1 000.
- 1.4.2 All IT workstations (office computers and laptops) are grouped as one asset.
- 1.4.3 Costs incurred in the creation of the core database management system and related infrastructure assets, both internal and external charges and software development, are capitalised as tangible fixed assets.
- 1.4.4 Software developed in house or by third parties is capitalised as a tangible fixed asset; licences are capitalised as intangible.
- 1.4.5 The values of other fixed assets have been restated using appropriate indices published by the Office for National Statistics. Movements in fixed assets are disclosed in Note 7.

1.5 Depreciation and amortisation

Depreciation and amortisation are calculated so as to write off the valuation of freehold buildings and other tangible and intangible fixed assets by equal instalments over their estimated useful lives.

Lives are normally as follows:

Freehold buildings	45 years
Machinery, equipment and fixtures	5 to 15 years
Computers and IT equipment	2 to 5 years
IT software	3 to 10 years
Software licences	3 to 10 years
Vehicles	4 years

Freehold land is not depreciated.

The depreciation charge for the year on buildings is calculated at the year end on the valuation by King Sturge (see Note 1.2). For all other fixed assets, depreciation and amortisation charges for the year are calculated on the average asset values for the year (average of values recalculated annually using indices issued by the Office for National Statistics).

1.6 Stocks and work-in-progress

Stocks and work-in-progress are valued as follows:

Maps – at the lower of cost and net realisable value. Costs of large-scale maps (at scale of 1:10 000 or greater) are charged to the operating account as incurred;

Work-in-progress – at the lower of cost and net realisable value. Cost represents materials and labour and other directly attributable overheads; and

Amounts recoverable on contracts – at the value of work carried out after provision for contingencies and anticipated future losses.

1.7 National Geographic Database

The background to the accounting treatment of the data that constitutes the National Geographic Database is set out in the Management Review contained in the Annual Report. This note should be read in conjunction with that Report. It is important to distinguish the data itself from the software and hardware (the database management system), which enables the data to be securely held and updated.

The cost of maintaining data is not capitalised as an intangible fixed asset under FRS10. With changes to the data happening in real time, the costs of surveying, otherwise acquiring, rectifying and loading the data are charged to the Operating Account as incurred. Consequently, no value for the data appears on the Balance Sheet, notwithstanding its central importance to Ordnance Survey activities and revenue generation.

The database management system is treated as a tangible fixed asset in the normal way. The system comprises, principally, internally generated software which has been developed and enhanced over several years and written off over its expected working life.

1.8 Turnover

Turnover comprises invoiced sales of mapping data, information, customer-tailored services and copyright revenue (net of trade discount) and is shown net of Value Added Tax (VAT).

Copyright licence turnover is recognised in the year in which it is earned, being the year in which Ordnance Survey material is printed by the licence holder.

Unpaid copyright invoices for licence fees which may relate to periods after 31 March 2006 are included in trade debtors that represent all invoices unpaid at 31 March 2006.

The proportion of the value of invoices excluding VAT raised in 2005–06 which relate to the period after 31 March 2006, irrespective of the date of payment, is included in creditors as copyright and other revenue in advance.

1.9 Pensions

Pension benefits are provided through the Civil Service Pension Scheme (PCSPS). From 1 October 2002, Ordnance Survey staff, as civil servants, may be in one of three statutory based final salary defined benefit schemes (classic, premium, and classic plus). New entrants after 1 October 2002 may choose between membership of the premium scheme or joining a defined

contribution scheme with a significant employer contribution (partnership pension account).

Classic Scheme

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5% of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump-sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

Premium Scheme

Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike the classic scheme, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5% of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths of the member's pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

Classic Plus Scheme

This is essentially a variation of the premium scheme, but with benefits in respect of service before 1 October 2002 calculated broadly as per the classic scheme.

Pensions payable under the classic, premium and classic plus schemes are increased in line with the Retail Prices Index.

Partnership Pension Account

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending upon the age of the member) into a stakeholder pension product. The employee does not have to contribute but, where they do make contributions, these will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). Employers also contribute a further 0.8%

of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up to 25% of the fund as a lump sum.

1.10 Early release costs

Some staff may be retired early under restructuring arrangements at the discretion of Ordnance Survey. Ordnance Survey is required to pay the pensions of employees who leave early (excluding actuarially reduced retirement and medical retirement) until they reach normal pensionable age. 100% of the costs of funding early leavers prior to 31 March 2005 have been provided for in earlier years. Funds are released from the provision annually to fund payments for pensions and related benefits to the retired employees until normal retirement age (see Note 12). Under the different funding arrangements which applied between October 1994 and 31 March 1997 80% of the costs were met centrally from the Civil Superannuation Vote (CSV). However Ordnance Survey was still required to make a matching provision for this 80% in the accounts. In order to reflect the 100% cost of all employees leaving under the revised arrangements during this period, the 80% funded centrally has been transferred from the provision to the general reserve in these accounts given that the CSV did ultimately fund this element (see Note 11).

Until 1999, when Ordnance Survey was an on-vote Executive Agency, it made payments to the CSV to prefund some of the liabilities relating to compensation for early release. Some unused balances for future years remain at 31 March 2006 and in accordance with Trading Fund Guidance the provisions and prepayments are shown separately on the Balance Sheet (see also Note 10.2).

The 2005–06 Operating Account includes a charge of £2 892 000 in respect of new leavers identified in 2005–06 (£896 000 in 2004–05). This charge to the Operating Account reflects the costs of these leavers up to their normal retirement age (see also Note 3.3)

As stated in Note 1.15 the requirement of Financial Reporting Standard 12 has been adopted to state the early release and pension commitment provision at a discounted amount where the time value of money is material. The provision for the estimated payments has been discounted by the HM Treasury discount rate of 2.2% in real terms. The discount is unwound over the anticipated duration of the provision.

1.11 Research and development

Expenditure on research and development is treated as an operating charge in the year in which it is incurred.

1.12 Operating leases

Rentals payable under operating leases are charged to the Operating Account as incurred.

1.13 Taxation

As a Trading Fund, Ordnance Survey is not liable to Corporation Tax.

1.14 Foreign currency transactions

Transactions denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the dates of the transactions. Exchange rate differences are charged to the Operating Account as incurred (see Note 4). Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date.

1.15 Prior year adjustment – Early release and pension commitment provision

The requirement of Financial Reporting Standard 12 to state the early release and pension commitment provision at a discounted amount where the time value of money is material had been omitted in prior years. The requirement has been adopted in the current financial year and the effect has been to reduce the provision disclosed on the Balance Sheet. In the Operating Account, the effect has been to reduce the staff cost and recognise a financing charge on the unwinding of the discount.

The provision is disclosed at the present value of the expenditure expected to be required to settle the obligation, discounted in real terms using the HM Treasury discount rate at the financial year-end. The effect on the Balance Sheet was to recognise a reduction and increase respectively in the 1 April 2004 brought forward provision and general reserve balances for a prior year adjustment of £3 459 000 and consequently to increase the provision for early release and pension commitments at the current financial year-end by £623 000 (2004–05 – £476 000).

In the Operating Account, the effect of the adoption of a discounting policy has been to reduce the staff cost in the current financial year by £258 000 (2004–05 – £64 000). The unwinding of the provision discount has been disclosed as a financing charge in the Operating Account. The financing charge recognised in the current financial year is £881 000 (2004–05 – £540 000).

1.16 Prior year adjustment – Cash Flow Statement

These accounts have been prepared in compliance with Financial Reporting Standard 1 – cash flow statements and as such the cash at bank and in hand and cash on deposit balances have been presented separately on the balance sheet. As a consequence both the comparative balance sheet and cash flow statement for 2004–05 have been restated. The cash on deposit of £14 000 000, previously included in cash at bank and in hand in the 2004–05 balance sheet, has been reclassified accordingly. The £7 000 000 reduction in the short-term deposit balance in the financial year 2004–05 has been reflected in the cash flow statement as a movement associated with the management of liquid resources, thus giving a restated increase in the prior year net cash at bank and in-hand balance of £309 000.

2. Turnover

2.1 Operating turnover

Ordnance Survey's operating turnover is principally generated by the sales of mapping data, information, customer-tailored services and copyright revenue.

The total operating turnover of £117 727 000 for 2005–06 (£114 738 000 in 2004–05) includes £10 925 516 (£13 179 461 in 2004–05) recognised in respect of the provision of national interest mapping to the Department for Communities and Local Government (formerly the Office of the Deputy Prime Minister) through a services agreement (NIMSA).

2.2 Income from investment property

Details of this property are included in Notes 1.3 and 7.3. Rent received in 2005–06 totalled £628 000 (£335 000 in 2004–05). Incentives in the form of rent-free periods are accounted for by spreading the rent receivable on a straight-line basis over either the relevant lease period or a shorter period ending on a date from which it is expected that the prevailing market rental will be payable under the lease.

2.3 Government grant income

In 2002–03 Ordnance Survey received a government grant of £7 500 towards the purchase of two official cars powered from surplus electricity generated from Ordnance Survey's combined heat and power system. The amount is spread over five years, with £1 500 released to the Operating Account each year.

3 Staff numbers and costs

3.1 Total permanent staff numbers

The average monthly number of whole-time equivalent persons, all classified as Civil Service staff, employed by Ordnance Survey during the year was as follows:

	2005–06	2004–05
Operations	1 009	1 003
Sales and Marketing	201	213
Corporate Services	243	257
	1 453	1 473

3.2 Total temporary/agency/contract staff

The average monthly number of whole-time equivalent temporary/agency/contract persons employed by Ordnance Survey during the year was as follows:

	2005–06	2004–05
Operations	360	252
Sales and Marketing	8	12
Corporate Services	11	10
	379	274

The figures for Operations reflect investment during the year in quality improvement to prepare data for further product releases.

3.3 Total staff costs

The aggregate payroll costs were as follows:

	2005–06	Restated 2004–05
	£'000	£'000
Wages and salaries	40 878	38 916
Social Security costs	3 437	3 213
Pension costs	7 234	5 119
Capitalised labour	(2 061)	(1 377)
Additional early release costs in year (Notes 1.10 and 12)	2 892	896
	52 380	46 767
Temporary/agency/labour costs	18 780	13 622
Temporary/agency/labour – capitalised	(9 272)	(5 967)
	61 888	54 422

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, but Ordnance Survey is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2005–06 employer's contributions of £7 234 000 were payable to the PCSPS (£5 119 000 for 2004–05) at one of four rates in the range 16.2 to 24.6% of pensionable pay, based on salary bands (the rates in 2004–05 were between 12% and 18.5%). The Scheme Actuary reviews employers' contributions every four years following a full scheme valuation. From 2006–07 the salary bands will be revised and the rates will be in a range between 17.1% and 25.5%. The contribution rates are set to meet the costs of the benefits accruing during 2005–06 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

As described in Note 1.9, employees joining after 1 October 2002 could opt to open a partnership pension account – a stakeholder pension with an employer contribution. Ordnance Survey had two members of the partnership pension account in 2005–06. Employers' contributions paid to appointed stakeholder pension providers, and also 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 were immaterial. Contributions due to the partnership pension providers at the balance sheet date were nil. Contributions prepaid at that date were nil.

In 2005–06 there were no retirements on ill-health grounds (in 2004–05 two persons retired amounting to an additional accrued pension liability in the year of £4 965).

4 Other operating charges

	2005–06 £'000	2004–05 £'000
Included in other operating charges are:		
Staff travel and subsistence	3 951	3 728
Research and development	1 649	1 712
Operating lease charges		
– equipment and vehicles	1 830	587
– land and buildings	1 488	1 161
Auditors' remuneration and expenses		
– Audit services	64	77
Foreign exchange (gains)/losses (net)	(7)	(3)

5 Interest receivable and payable

	2005–06 £'000	Restated 2004–05 £'000
Interest receivable		
Balances at the account with HM Paymaster	176	186
Short-term deposits with the National Loans Fund	1 259	1 469
	1 435	1 655

Interest payable

On deemed loans	(410)	(457)
Other	–	(1)
Financing charge – unwind of provision discounts (Note 12.1)	(881)	(540)

Net interest	144	657
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6 Dividend payable

The 2004 Framework Document determined that from 2004–05 Ordnance Survey should calculate its net operating surplus for the year after application of interest charges and either retain the surplus in the business or pay dividends on Public Dividend Capital in proportions to be agreed by the responsible Minister. £800 000 was paid in 2005–06 in respect of the results for 2004–05. The amount payable in 2006–07 in respect of the results for 2005–06 is £2 620 000 and the provision is included in these accounts as it represents a contractual commitment at the financial year end (see Note 11).

7 Fixed assets

7.1 Intangible fixed assets

	Software licences £'000
Cost or valuation	
At 1 April 2005	2 650
Additions	12
Disposals	(113)
Revaluation	(38)
At 31 March 2006	2 511
Amortisation	
At 1 April 2005	1 377
Charged in year	464
Disposals	(108)
At 31 March 2006	1 733
Net book value	
At 1 April 2005	1 273
At 31 March 2006	778

The net book value of intangible fixed assets according to the historical cost accounting rules at 31 March 2006 is £810 000 (£1 281 000 at 31 March 2005).

7.2 Tangible fixed assets

	Freehold land and buildings £'000	Equipment, facilities and fixtures £'000	Vehicles £'000	Assets under construction £'000	Total £'000
Cost or valuation					
At 1 April 2005	19 400	38 255	329	15 065	73 049
Additions	60	3 106	–	11 742	14 908
Disposals	–	(5 645)	(84)	–	(5 729)
Revaluation	(35)	(376)	1	–	(410)
At 31 March 2006	19 425	35 340	246	26 807	81 818
Depreciation					
At 1 April 2005	–	26 583	249	–	26 832
Charged in year	724	4 951	36	–	5 711
Disposals	–	(5 589)	(84)	–	(5 673)
Revaluation	(724)	71	3	–	(650)
At 31 March 2006	–	26 016	204	–	26 220
Net book value					
At 1 April 2005	19 400	11 672	80	15 065	46 217
At 31 March 2006	19 425	9 324	42	26 807	55 598

Tangible fixed assets are carried at valuation at the balance sheet date with the exception of assets under construction which are recorded at cost.

Assets in course of construction at 31 March 2006 total £26 807 000 of which £15 065 000 was brought forward from 2004–05. £26 620 000 relates to the development of a seamless database management system and its associated edit system and the creation of a new system to collect and maintain all geospatial data. Other additions in course of construction relate to the part acquisition of equipment for bar coding (£15 000) and a printing press (£96 000).

The net book value of fixed assets determined according to the historical cost accounting rules is as follows:

	Freehold land and buildings £'000	Equipment, facilities and fixtures (includes assets under construction) £'000	Vehicles £'000	Total £'000
Net book value				
At 31 March 2005	9 257	26 941	74	36 272
At 31 March 2006	8 649	36 798	36	45 483

7.3 Fixed asset investments – property

	2005–06	2004–05
	£'000	£'000
Balance at 1 April	7 383	8 765
Revaluation in the year	531	(1 382)
Balance at 31 March	7 914	7 383

The value of the fixed asset investments determined according to the historical cost accounting rules is £846 000.

8 Other investments – PointX Limited

PointX Limited is a joint venture company set up to develop and market a points of interest database covering Great Britain. Ordnance Survey is represented on the Board by three Directors. At 31 March 2006 Ordnance Survey owned 50% of the total shares in PointX, being 500 (100%) £1 “A” ordinary shares. Another investor owned the remaining 500 “B” ordinary shares. All shares were ranked equally.

In the year ended 31 March 2006 PointX had a turnover of £711 000 (2004–05 – £417 000) and expenditure of £673 000 (2004–05 – £685 000). Ordnance Survey’s 50% share of the net profit is therefore £19 000 (£134 000 loss in 2004–05). The net return is £8 000 following the recognition of a loss of £11 000 from an earlier financial year.

An interest-free loan was agreed on 30 March 2001. £614,600 was drawn down by 31 March 2005 with a further £75 000 in 2005–06. The amount drawn down is included on the Balance Sheet. The maximum agreed loan is £750 000 and the undrawn amount is disclosed in Note 17 – Financial Commitments.

No dividend shall be declared or paid by PointX whilst any of the loan to PointX remains outstanding.

The investment in PointX at 31 March is as follows:

	2005–06	2004–05
	£'000	£'000
Share of gross assets	284	157
Share of gross liabilities	(913)	(794)
Loan	690	615
	61	(22)

9 Stocks and work-in-progress

	2005–06	2004–05
	£'000	£'000
Finished goods	1 151	1 484
Work-in-progress	245	241
	1 396	1 725

Included in work-in-progress are long-term contract balances of £45 000 (£16 000 in 2004–05).

10.1 Debtors

	2005–06	2004–05
	£'000	£'000
Amounts falling due within one year:		
Trade debtors (see also Note 1.8)	10 286	10 250
Accrued income	3 765	3 589
Staff debtors and advances	44	48
Accrued interest receivable	31	50
Value Added Tax	–	267
	14 126	14 204
Amounts falling due over one year:		
Staff debtors and advances	52	80
	14 178	14 284

Notes:

(a) Trade debts are shown after a provision of £355 000 (2004–05 – £401 000). Bad Debts totalling £2 000 were written off in 2005–06 (£31 000 in 2004–05).

(b) No debts were owed by Directors at year end.

10.2 Prepayments

	2005–06	2004–05
	£'000	£'000
Prepayments	1 570	1 582
Prepayment of early release liabilities due over one year (Note 1.10)	73	166
Other prepayments due over one year	2	9
	1 645	1 757

11.1 Creditors

	2005–06	Restated 2004–05
	£'000	£'000
Amounts falling due within one year:		
Copyright and other revenue in advance	5 576	5 156
Trade creditors	2 482	4 309
Other creditors	1 720	1 593
Accruals	7 922	4 958
Value Added Tax	276	–
Dividend payable (Note 6)	2 620	800
Long-term loans repayable in one year	718	862
Early release costs payable within one year (Note 12)	4 340	4 748
	25 654	22 426

£94 000 of the creditors balance held at 31 March 2005 was transferred to the general reserve in 2005–06 (see Note 1.10).

11.2 Creditors

	2005–06	2004–05
	£'000	£'000
Amounts falling due after one year:		
Copyright and other revenue in advance	145	–

12 Provisions for liabilities and charges

	2005–06	Restated 2004–05
	£'000	£'000
12.1 Early release and pension commitments		
Balance at 1 April	12 962	15 779
Transferred (to)/from short-term provision in the year	(18)	520
Less amounts falling due within one year (Note 11)	(4 340)	(4 748)
Additional provision (Note 3.3)	2 892	896
Element of new provision paid in year	(1 138)	(25)
Unwinding of early release cost discounts		
The unwinding of discounts represents a cash outflow realised on payment of early release cost provisions discounted for the time value of money (Note 1.15)	881	540
	11 239	12 962

The above amount is estimated as falling due as follows:

	£'000
2007–08	3 195
2008–09	2 683
2009–10	2 049
2010–11	1 477
2011–16	1 835
	11 239

12.2 Provision for onerous leases

	2005–06	2004–05
As a result of regional office closures	245	556
	11 484	13 518

The provision of £245 000 for onerous leases (£556 000 in 2004–05) covers residual commitments to lease expiry, after application of a risk-factored allowance for anticipated sublet rental income.

13 Loans repayable after one year

Government loans, repayable by instalments, and bearing interest at a rate of 4.75% per annum are:

	2005–06	2004–05
Amounts repayable:	£'000	£'000
In two to five years	4 288	2 006
After five years	3 000	6 000
	7 288	8 006

14 Reserves

14.1 Reconciliation of movements in general reserve

	2005–06	Restated* 2004–05
	£'000	£'000
At 1 April as previously stated		2 900
Prior year adjustment (Note 1.15)		3 459
At 1 April as restated	15 478	6 359
Surplus for the year	5 391	9 098
Early release costs – transfers to general reserve (Note 11)	94	190
Revaluation reserves transfer (Note 14.2)	55	(169)
At 31 March	21 018	15 478

* Restated (Note 1.15)

14.2 Revaluation reserves

	2005–06	2004–05
	£'000	£'000
At 1 April	16 474	15 934
Arising on revaluation during the year (net)	732	371
General reserve transfer	(55)	169
At 31 March	17 151	16 474
Net reserve movements in the year		
Tangible and intangible fixed assets	201	1 753
Investment assets	531	(1 382)

Notes:

a. The revaluation reserve represents the difference between the net book values of the fixed assets on a revalued and on a historic cost basis as follows:

Net book value at 31 March 2006	Revalued £'000	Historic £'000	Difference £'000
Intangible fixed assets (Note 7.1)	778	810	(32)
Tangible fixed assets (Note 7.2)	55 598	45 483	10 115
Investment assets (Note 7.3)	7 914	846	7 068
	64 290	47 139	17 151

b. The transfer from the general reserve represents the enhanced depreciation on the current accounting basis over the historic cost depreciation charged during the year.

15 Cash flow statement

15.1 Cash at bank and in hand

The cash at bank and in hand at 31 March comprised the following:

	2005–06	2004–05
	£'000	£'000
Balance held at Paymaster General's Office	2 777	2 552
Balance held in commercial banks and cash in hand	293	733
	3 070	3 285

15.2 Cash flow from operating activities

Reconciliation of operating surplus for the period to net cash flow from operating activities		2005–06	Restated 2004–05
	Note	£'000	£'000
Operating surplus on ordinary activities before interest and dividend		7 867	9 241
Depreciation/amortisation	7	6 175	5 837
(Profit)/Loss on disposal of fixed assets		(96)	60
Decrease/(increase) in stocks	9	329	(50)
Decrease/(increase) in debtors/prepayments	10	107	(1 148)
Decrease in prefunded early release cost commitments	10	94	146
Increase/(decrease) in creditors	11	2 371	(3 146)
General reserve/creditors' adjustment	11	94	190
Decrease in provisions for liabilities and charges over one year	12	(2 034)	(2 614)
Net cash inflow from operating activities		14 907	8 516

15.3 Reconciliation of net cash flow to movement in net funds

	Note	2005–06	Restated 2004–05
		£'000	£'000
(Decrease)/increase in cash in the year	15.4	(221)	310
Cash outflow from decrease in debt financing	15.4	862	1 030
Cash inflow from decrease in liquid resources	23	(1 900)	(7 000)
Changes in net funds resulting from cash flows		(1 259)	(5 660)
Exchange differences	15.4	6	(1)
Decrease in net funds in the year		(1 253)	(5 661)
Net funds at 1 April		8 417	14 078
Net funds at 31 March		7 164	8 417

15.4 Analysis of net funds

	Note	At 1 April	Cashflow	Exchange movement	At 31 March
		£'000	£'000	£'000	£'000
Cash at bank and in hand	15.1	3 285	(221)	6	3 070
Debt due after 1 year	13	(8 006)	718	–	(7 288)
Debt due within 1 year	11.1	(862)	144	–	(718)
Liquid resources – Cash on deposit	23	14 000	(1 900)	–	12 100
Net funds		8 417	(1 259)	6	7 164

16 Gross cash flows

16.1 Financing charges and income	2005–06	2004–05
	£'000	£'000
Interest received	1 454	1 668
Interest paid	(410)	(458)
Net interest	1 044	1 210

16.2 Capital expenditure

Payments to acquire fixed assets	(15 597)	(14 928)
Receipts from sales of tangible fixed assets	157	22
Net capital expenditure	(15 440)	(14 906)

16.3 Other investments

Share of PointX (profit)/ loss (Note 8)	(8)	134
Loan to PointX	(75)	(75)
Net investment	(83)	59

17 Financial commitments

	2005–06	2004–05
	£'000	£'000
No provisions have been made in these accounts in respect of:		
Contracted capital commitments	1 933	–
Capital authorised by Directors but not contracted	393	2 721
Undrawn loan commitment – PointX (Note 8)	60	135

18 Operating lease commitments

At 31 March 2006 Ordnance Survey had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	2005–06	2004–05	2005–06	2004–05
Expiring:	£'000	£'000	£'000	£'000
Within one year	260	380	539	121
Between two and five years	87	185	744	744
After five years	13	101	–	–

19 Related party transactions

Ordnance Survey is a non-ministerial government department operating as a Trading Fund and is also an Executive Agency. In the course of its normal business Ordnance Survey provides mapping data and licences to both the private and public sectors. During the year Ordnance Survey has had a significant number of material transactions with other government departments and central government bodies. Most of these transactions have been with the Department for Communities and Local Government (formerly the Office of the Deputy Prime Minister), HM Land Registry®, the Department for the Environment, Food and Rural Affairs®, the Ministry of Defence and Defence Agencies, and with the Scottish Office and its Agencies. Rental income was also received from HM Revenue and Customs (HMRC) (see Note 2.2).

Ordnance Survey had material transactions with HMRC and Department for Work and Pensions (DWP) for payment of rents and service charges where Ordnance Survey occupies accommodation in buildings for which HMRC or DWP is the major occupier.

As explained in Note 8, Ordnance Survey and PointX Limited are related parties. During the year Duncan Shiell, Alastair Matthews and Ed Parsons were Directors of PointX Limited.

Ordnance Survey is a member of, and exercises significant influence over, the board of Little Explorers Nursery Limited, a non-profit-making company limited by guarantee. The company is run as a nursery for children of Ordnance Survey employees on its head office site. No material transactions occurred between Little Explorers Nursery Limited and Ordnance Survey during 2005–06.

During 2005–06 Vanessa Lawrence, Director General and Chief Executive of Ordnance Survey, was a Non-Executive Director of the Office of the Deputy Prime Minister (renamed the Department for Communities and Local Government from 5 May 2006) and Michael Sommers, a Non-Executive Director of Ordnance Survey, was a Non-Executive Director of the Department for Work and Pensions.

No other Board member, key management staff or other related parties has undertaken any material transactions with Ordnance Survey during the year.

20 Contingent liabilities

There were no contingent liabilities at 31 March 2006.

21 Financial targets and results

The financial objective for the year 2005–06 was to achieve a trading surplus, before interest, dividends and exceptional items of at least £5.8 million for the financial year April 2005 to March 2006 (£1.8 million in 2004–05). The trading surplus achieved was £7.9 million (£9.2 million in 2004–05).

The longer-term financial objective of Ordnance Survey set in the framework agreement 2004 is to achieve a return on capital employed (ROCE), averaged over the three-year period 1 April 2004 to 31 March 2007, of at least 5.5% in the form of a surplus on ordinary activities before interest (payable and receivable) and dividends expressed as a percentage of average capital employed. Capital employed is to be the Capital and Reserves, that is, the total of the Public Dividend Capital, loans repayable after more than one year, the General Reserve and the Revaluation Reserves.

The operating surplus for the period 1 April 2004 to 31 March 2006 represents a ROCE of 16.4% over the first two years of this three year target.

The above information relates to the requirements of the Ordnance Survey Framework Document and the Fees and Charges Guide and is not for the purposes of SSAP 25. Further background to the trading year is contained in the Annual Report.

22 Losses, special payments and gifts

- In 2005–06 Ordnance Survey wrote off stock valued at £355 000 as a result of new editions of products, mainly in the OS Explorer Map series due to Open Access Land changes and the consequential write-off of the obsolete stock they superseded (£151 834 in 2004–05).
- Bad debt write-offs of £2 000 were incurred in the year (£31 000 in 2004–05).
- Other costs falling into the category of losses, special payments and gifts were below the level, currently £250 000, at which they needed to be reported separately.

23 Financial instruments

Ordnance Survey's treasury operations are governed by the Ordnance Survey Trading Fund Order 1999, under the Government's Trading Fund Act 1973(a) as supplemented by the Framework Document 2004 approved by HM Treasury.

Ordnance Survey's financial instruments comprise cash deposits, and other items such as trade debtors, trade creditors and

provisions. The main purpose of these financial instruments is to finance Ordnance Survey's operations.

The main risks arising from Ordnance Survey's financial instruments are liquidity and interest rate risks. Ordnance Survey's policies for managing these risks are set to achieve compliance with the regulatory framework. Ordnance Survey follows Government Accounting rules, negotiating contracts with suppliers or contractors in sterling or major international currencies such as the euro or US dollar. Ordnance Survey's policy during the year on routine transactional conversions between currencies (for example, the collection of receivables and the settlement of payables) remained that these should be effected at the relevant spot exchange rate.

Interest rate risk

Ordnance Survey finances its operations through retained profits and Government loans. Sums retained in the business but surplus to immediate requirements are deposited in a short-term interest-bearing account with the National Loans Fund.

Long term loans have a fixed rate of interest.

Liquidity risk

Ordnance Survey has maintained short-term liquidity throughout the year by management of its cash deposits. Ordnance Survey may borrow such sums as it may require to meet its working capital needs and finance its capital investment programme. Borrowing for in-year fluctuations is subject to a temporary borrowing limit agreed with HM Treasury. Such loans, if taken, would normally be repayable in a year.

Short-term debtors and creditors are excluded from the following disclosures:

Interest rate risk profile

The interest rate profile of Ordnance Survey's financial assets and liabilities at 31 March 2006 are set out below. All balances are held in sterling:

Financial assets	Fixed rate	Fixed rate	Floating rate	Floating rate	Total	Total
	31 March 2006	31 March 2005	31 March 2006	31 March 2005	31 March 2006	31 March 2005
	£'000	£'000	£'000	£'000	£'000	£'000
Cash at bank	-	-	3 070	3 285	3 070	3 285
Cash on deposit	-	-	12 100	14 000	12 100	14 000
Loan to PointX (Note 8)	-	-	-	-	690	615

Cash on deposit at 31 March 2006 consists of seven short-term loans to the National Loans Fund for a weighted average period of 29.0 days at a weighted average interest rate of 4.34%.

Details of the interest-free loan to PointX are contained in Note 8.

Financial liabilities	Fixed rate	Fixed rate	Floating rate	Floating rate	Total	Total
	31 March 2006	31 March 2005	31 March 2006	31 March 2005	31 March 2006	31 March 2005
	£'000	£'000	£'000	£'000	£'000	£'000
Government loans	8 006	8 868	-	-	8 006	8 868

The fair value of all assets and liabilities approximates to book value.

24 Intra-government balances

	Debtors and prepayments: amounts falling due within one year	Debtors and prepayments: amounts falling due after more than one year	Creditors: amounts falling due within one year	Creditors: amounts falling due after more than one year
	£'000	£'000	£'000	£'000
Balances with:				
Other central government bodies	1 393	73	7 761	40
Local authorities	1 108	-	398	45
NHS trusts	20	-	1	-
Public corporations and trading funds	40	-	6	-
Bodies external to government	13 135	54	17 488	60
At 31 March 2006	15 696	127	25 654	145

Treasury minute dated 15 January 2004

1. Section 4(1) of the Government Trading Funds Act 1973 provides that a trading fund established under that Act shall be under the control and management of the responsible Minister and, in the discharge of his function in relation to the fund, it shall be his duty:
 - (a) to manage the funded operations so that the revenue of the fund:
 - (i) consists principally of receipts in respect of goods or services provided in the course of the funded operations; and
 - (ii) is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account; and
 - (b) to achieve such further financial objectives as the Treasury may from time to time, by Minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.
2. A trading fund for Ordnance Survey was established on 1 April 1999 under the Ordnance Survey Trading Fund Order 1999 (SI 1999 No. 965).
3. The Deputy Prime Minister, being the responsible Minister for the purposes of section 4(1)(a) of the 1973 Act, has determined (with Treasury concurrence) that a further financial objective desirable of achievement by the Ordnance Survey Trading Fund for the period from 1 April 2004 to 31 March 2007 shall be to achieve a return, averaged over the period as a whole, of at least 5.5 per cent, in the form of a surplus on ordinary activities before interest (payable and receivable) and dividends expressed as a percentage of average capital employed. Capital employed shall be the Capital and Reserves, that is, the total of the Public Dividend Capital, loans repayable after more than one year, the General Reserve and the Revaluation Reserves.
4. This minute supersedes that dated 29 March 1999.
5. Let a copy of this Minute be laid before the House of Commons pursuant to section 4(1)(b) of the Government Trading Funds Act 1973.



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