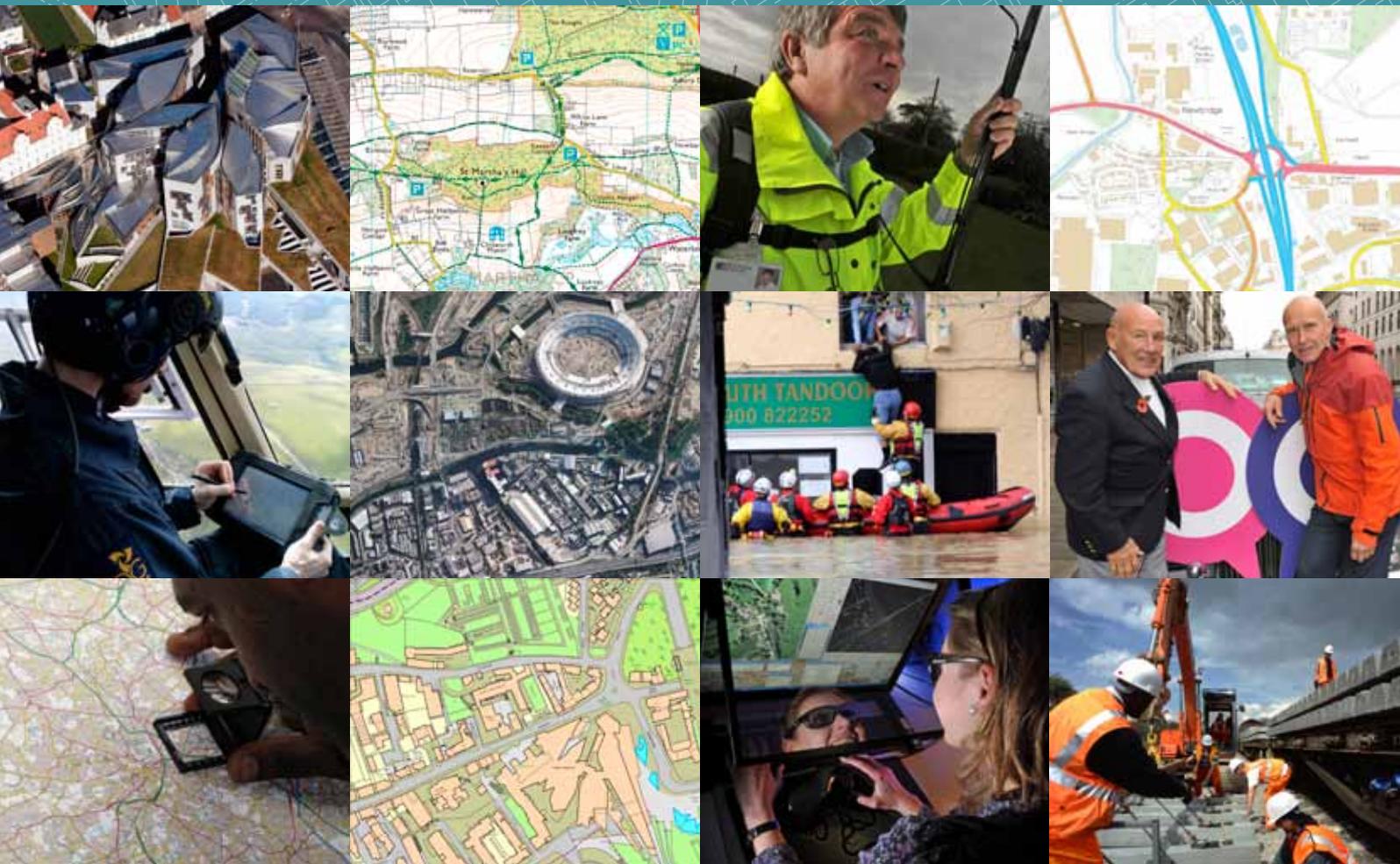


Annual Report and Accounts 2009–10



Ordnance Survey Annual Report and Accounts 2009–10

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as amended by the Government Trading Act 1990.

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Who we are and what we do

Ordnance Survey is Great Britain's mapping agency. It is our job to collect, maintain and distribute the most accurate and up-to-date geographic information (GI) of the whole country that government, business and individuals all rely on.

We generate our revenue through licensing the intellectual property rights in our data under Crown copyright. We do this directly with customers and via more than 500 private-sector partners. We invest heavily in attracting partners to deliver customer-led solutions to meet market demand.

Since April 2010, we have also provided free and unrestricted access to a large range of our mapping and GI as part of the *Making Public Data Public* and *Smarter Government* initiatives. In addition to supporting democratic accountability, the goal is to stimulate digital innovation in the reuse of our data to develop applications and solutions, drive new markets and unlock new potential for jobs in existing and new technologies.

We are a non-ministerial government department in our own right and an Executive Agency responsible to the Secretary of State for Communities and Local Government (CLG).

We operate as a Trading Fund under the Government Trading Funds Act 1973 and The Ordnance Survey Trading Fund Order 1999.

Our vision is that Ordnance Survey and its partners will be the content providers of choice for location-based information in the new information economy.

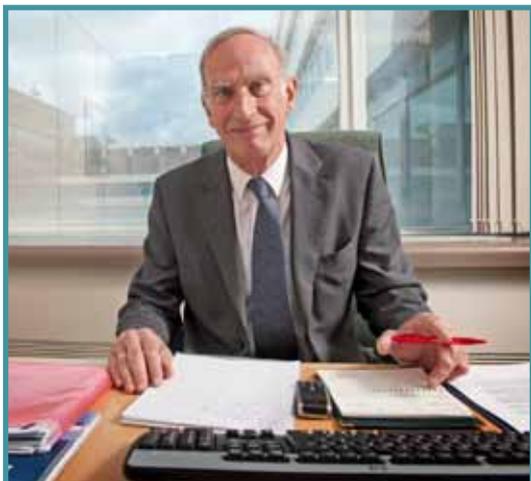


Photogrammetric technician using a digital production workstation with editing software function



Introduction from the Chairman

People feel passionately about Ordnance Survey, so it is my great privilege to be part of the organisation at a time when the public is playing a key role in shaping our future.



My first full year as Chairman has seen the importance of our GI recognised at the very highest level of government. The previous Prime Minister's announcement of a public consultation on proposals to make our data freely available, and the subsequent successful launch of OS OpenData™, has put us at the heart of digital innovation in Great Britain.

OS OpenData was made possible thanks to the Government's commitment to providing ongoing revenue funding to support the service. We are thankful for this contribution, which, together with additional public dividend capital, has ensured our long-term sustainability and enables us to maintain the quality of our data. I should also like to pay tribute to our staff, who have worked tirelessly to meet the Government's strategic objectives to launch OS OpenData.

April 2009 saw the launch of our business strategy, which focused on five key areas around promoting innovation, increasing access to data and continuing to meet the needs of our many stakeholders. We have made superb progress on all five of the objectives and we will continue to deliver on these during 2010–11. Like OS OpenData, our online mapping API (application programming interface), OS OpenSpace® is also playing an important part in realising our goal to promote innovation by growing the scale and scope of use of GI for business, social and individual use. I am delighted to report both increasing numbers of registered users and the development of many exciting and dynamic mapping applications as a result of this free access to our data.

Supporting the sharing of information across the public sector to enable better policies and services has also been a focus. Licensing our products under the single One Scotland Agreement for public services north of the border was a huge achievement.

Feedback remains absolutely pivotal to determining our strategy and shaping our activities. Our customers have told us that we need to simplify our pricing and licensing framework and, in response, we have already made a number of changes to benefit users. We will be finalising this work in 2010–11.

Work continues on creating an innovative trading entity to explore commercial opportunities to provide a better platform for consumers to access our mapping. Our focus is on achieving this through brand promotion and, again, we will be finalising this work in 2010–11. In addition to focusing on delivering the objectives set out in our business strategy, our day-to-day activities have, of course, continued. It is to our staff's very great credit, therefore, that we have consistently provided high standards of customer service during a time of unprecedented change in the way we work. In particular, they should be commended for their work to reduce costs across the business so that we continue to offer value for money.

I should like to welcome our new Strategy Board members, Non-Executive Director Mike Carr and our Interim Director of Finance, Paul Hemsley, who will both help us in this task.

This year has proved to be another momentous milestone in the 219-year history of Ordnance Survey, with significant achievements made towards our ambitious goal to grow the use of GI. The next 12 months promise to deliver a number of developments to continue the evolution of Ordnance Survey. Whatever the future may bring, however, the Board and staff remain committed to working with the Government, customers, partners and other stakeholders to provide high quality data to underpin the social, economic and democratic transformation of Great Britain.

Rob Margetts

Sir Rob Margetts CBE
Non-Executive Chairman

Director General and Chief Executive's overview

Location has attracted a great deal of public attention this year with continued recognition of its importance in underpinning social change and economic prosperity.



This ever-increasing reliance on geographic information by the country, as well as the many new, creative uses of Ordnance Survey data being realised through projects such as GeoVation and OS OpenSpace, has highlighted our contribution to Britain's future growth and the role we have in driving efficiency in processes and in turn, cost out of organisations. In addition, government initiatives, including Data.gov.uk, are demonstrating the importance of high quality and well maintained geographic information in enabling information from different sources to be linked, used and understood to improve public sector services and transparency.

These developments build upon the publication of *Place Matters: The Location Strategy for the United Kingdom and throughout 2009–10* we have been pleased to play our part in implementing its aims to maximise the value of GI for the public and private sector. We have seen good financial results for 2009–10 as organisations continue to rely on our data to deliver products and services, although we are not immune to the effects of the difficult economic climate which has been challenging for many of our partners and customers.

Throughout the year, work has continued on the implementation of our business strategy which is transforming our operations to reduce costs and make efficiency savings. The opening of our new shared data centre with the Land Registry in Gloucester is just one example of this.

A big milestone was reached on 1 April 2010 with the launch of OS OpenData, a new online portal allowing free access to some Ordnance Survey data. Delivering OS OpenData, in such a fast time scale, was an outstanding achievement and I am delighted that we met the challenge set by government and delivered an online portal which has already received a large amount of public interest. I am looking forward to seeing many new and exciting applications and maps created using the data during the next year.

As well as encouraging innovation in the way our data is used, we too have embraced new technologies and ways of working to reflect and meet the changing trends in GI delivery and use. As well as focusing on the content, supply and delivery of our data, we have used new ways of engaging with our stakeholders via YouTube, podcasting and Twitter, and also published our strategy online in Open Document Format to allow people to comment easily.

This is the last time I will be reporting from our present premises as, by the end of 2010, we will have moved into our new head office in Adanac Park on the outskirts of Southampton. The realisation of our vision to provide staff with a modern, energy efficient working environment is the culmination of eight years of hard work, and I can think of no better location for our future activities.

With the pace of economic and social change showing no signs of slowing, we are committed to meeting the expectations and demands of our customers and society as a whole. The coming year promises to be just as exciting as the past 12 months and we look forward to continuing our transformation and maintaining our reputation as a leader in the collection, maintenance and distribution of accurate, up to date geographic data.

Vanessa V Lawrence CB
Director General and Chief Executive

Finance Director review

In 2009–10 Ordnance Survey revenues are £114.3 million (2008–09: £117.2 million), profit before restructuring costs is £16.6 million (2008–09: £16.2 million) and the loss for the year is £2.7 million (2008–09: profit £12.0 million). A dividend of £5.8 million (2008–09: £4.8 million) is payable to the Department for Communities and Local Government (CLG). These represent the consolidated results of the Trading Fund and its related subsidiaries.

Adoption of IFRS

From 1 April 2009, the group adopted International Financial Reporting Standards (IFRS). As a result the opening balance sheet at 1 April 2008 has been restated, as have the 2008–09 results. These financial statements therefore are presented under IFRS in respect of all years. Full details of the effect of change are given in note 38. The key accounting policy changes are set out below:

a) Development costs

Following the transition to IFRS, Ordnance Survey has capitalised, at 1 April 2008, the measureable development costs incurred since 1999, in relation to the geographic data business and other intangible assets. These were previously expensed under UK GAAP alongside the annual operating costs of

data collection and management. The gross cost capitalised at 1 April 2008 was £37.3 million, from which previous amortisation of £19.6 million has been deducted to arrive at a net book value capitalised at 1 April 2008 of £17.7 million.

The overall value of the Ordnance Survey data and the brand are not capable of being valued reliably and are therefore not capitalised.

b) Holiday pay

The cost of employee holiday earned, but not taken, has been accrued. The year end creditor is £0.7 million (2008–09: £1.2 million) and will be revised annually as required.

c) Capitalised interest

£0.4 million of interest has been capitalised in respect of the financing of construction of Ordnance Survey's new head office (2008–09: £0.2 million).

Income statement

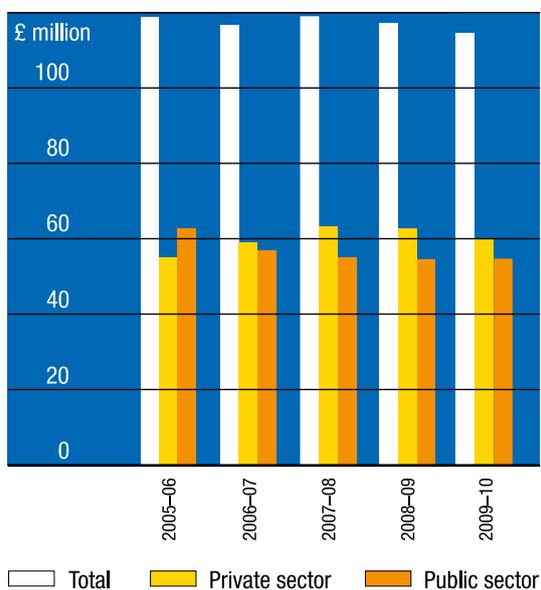
Revenue

Revenues of £114.3 million (2008–09: £117.2 million) principally comprise trading revenues of £112.5 million (2008–09: £116.1 million) and other operating income, including rental income, of £1.8 million (2008–09: £1.1 million). Macro economic factors, specifically, property volumes, have resulted in reductions in revenue.

Operating costs

Total staff costs (excluding restructuring costs), which cover permanent staff together with temporary and agency labour, decreased by 7% to £61.7 million (2008–09: £66.4 million). This fall is due to the restructuring programme undertaken during the year, the costs of this exercise, which are presented separately in the income statement in line with International Accounting Standard 1 (IAS 1), totalled £18.4 million (including direct costs associated with the restructuring programme). The business was able to utilise staff whose roles were restructured

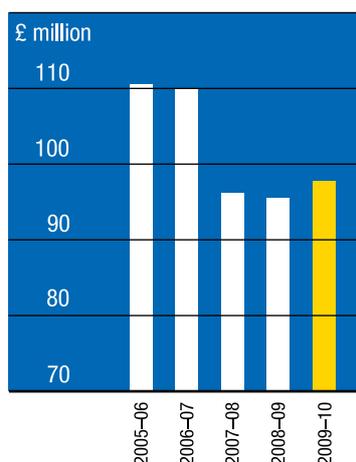
Turnover from trading activities



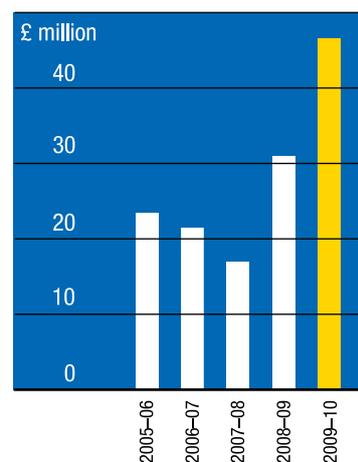
Average staff numbers



Operating costs



Investment expenditure



in alternative roles and, as a result, was able to significantly reduce the temporary and contract staff cost from £13.0 million to £9.3 million.

Average permanent staff numbers fell from 1 372 to 1 292 as a result of the restructuring.

Investment expenditure

Investment expenditure charged to the income statement fell slightly to £4.9 million (2008-09: £5.5 million). Both years include staff costs associated with development activity. Capitalised development costs in relation to Ordnance Survey's new data management system totalled £7.7 million (2008-09: £8.3 million).

Depreciation

The depreciation and amortisation charge for the year was £7.8 million (2008-09: £7.8 million). This figure reflects the capitalisation of intangible assets, which previously, under UK GAAP, were written off to the income and expenditure account as incurred. Tangible and intangible assets under the course of construction, amounting to £77.7 million continue to be non-depreciated, in line with International Accounting Standard (IAS) 16.

Cost reduction KPI (key performance indicators) achievement

Cumulative cost reductions, from 2008-09 base, of 3% were targeted for 2009-10, using operational expenditure adjusted for certain IT expenditure and depreciation. Actual cost reduction of 8.4% was achieved against this target.

Restructuring costs

In our 2008-09 Business review we committed to reduce costs over time and to ensure that we continue to offer value for money. As part of this commitment Ordnance Survey underwent a restructuring process and this resulted in significant staff departures through voluntary early severance and voluntary early retirement. The costs relating to this process of £18.4 million (2008-09: £0.9 million) are separately disclosed within the income statement, in line with IAS 1. This process will lead to annualised savings going forward of £6.0 million and is financed from operating cash flows.

Dividends

A dividend of £5.8 million (2008-09: £4.8 million) is payable and has been accrued; which represents a 20% increase. This has been calculated on a 6.5% (2008-09: 6.0%) return on average capital employed for the year. A deduction is permitted for interest paid on government loans.

Ordnance Survey Limited

Ordnance Survey Ltd was incorporated during the year. This trading entity is a 100% subsidiary owned and managed by Ordnance Survey. The underlying start-up costs of business planning, Ordnance Survey staff secondments and the implementation of a third-party technology contract totalling £0.8 million have been expensed. The Directors of Ordnance Survey Ltd expect that over the medium term this expenditure, together with associated future development and operational costs, will be exceeded by revenues.

PointX® Limited

PointX Limited, a 50% joint venture investment, has established a national points of interest database providing essential information for government and businesses delivering location-based services.

The company achieved turnover of £1.1 million (2008–09: £0.6 million) and a profit of £0.3 million (2008–09: loss £0.2 million).

Balance sheet

Non-current assets

Intangible assets include the costs of geographic data, capitalised under IFRS, as described above, together with the amounts invested in our new data management programme. This is expected to become operational in 2010–11 and will provide significant benefits to the business.

Tangible assets in the course of construction of £29.5 million (2008–09: £4.9 million) relate to the new head office building. The development contract with Kier® Property Limited remains on schedule and on budget, with expected contractual completion in summer followed by staff relocation completed by the end of this year. The accrued costs temporarily create net current liabilities of £28 million at the balance sheet date.

Ordnance Survey currently holds one investment property at market value. This was valued at 31 March 2010 and 31 March 2009 and an amount of £nil has been deducted from operating profit (2008–09: £4.3 million) to reflect revaluation to open market value. This adjustment was classified as an exceptional item.

Working capital

Cash at bank is £10.5 million (2008–09: £18.3 million).

The reduction in cash balance is primarily due to continued capital investment and payments made as part of the restructuring programme.

Treasury management

The management of liquid assets is governed by the Ordnance Survey Trading Fund Order 1999 as supplemented by the Framework Document 2004, approved by HM Treasury. Cash balances are maintained in an interest bearing account at the

Office of the Paymaster. Sums that are 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.

To manage the minimal foreign exchange rate variation risk exposure, contracts are negotiated with suppliers in sterling, or exceptionally in major currencies such as the euro or US dollar. Routine transactional conversions between currencies are effected at the relevant spot exchange rate.

Credit risk

Credit risk manifests itself in the trade receivables balance, which are mainly spread over a large and diverse customer base. The group monitors financial position of customers, on initial application and on an ongoing basis. Provision is made for the recoverability of debts which were considered doubtful. At the year end management do not consider there to be any material credit risk which was not provided.

Cash flow risk

The group monitors cash flow risk by maintaining and monitoring cash flow forecasts and ensuring that adequate unutilised borrowing facilities are maintained.

Risks and uncertainties

The Board of Directors remains confident regarding the future of the business. Nonetheless, the following risks and uncertainties, which may affect future performance, have been identified and, to the fullest extent possible, mitigated and actively managed by the Operating Board and Strategy Board:

- Damage to the reputation of Ordnance Survey.
- Loss of position of market leader in mapping.
- Inability to recruit, train and retain a high-quality workforce.

Each risk is assigned to and managed by a member of the Operating Board and action plans developed and enacted to reduce each risk to an acceptable level.

As a non-ministerial government department, Ordnance Survey is influenced by the political environment and is required to implement government initiatives that may change the nature and direction of its operations.

Supplier payments

Ordnance Survey complies with the Better Payment Practice Code. 71.0% (2008–09: 85.3%) of all supplier invoices were paid within 10 days of receipt of invoice. Average creditor days in the year were 18 (2008–09: 20).

Charitable donations

During the year, the group made charitable donations, from its own funds of £6 000 (2008–09: £8 000) to our Corporate Charity and in support of staff fund raising.

Cost allocation

Ordnance Survey has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector information guidance.

Post-balance sheet events

On 1 April 2010 £20 million of public dividend capital was introduced by the Department for Communities and Local Government into Ordnance Survey together with an agreement to extend the £15 million revolving credit facility to 2015. This revised capital structure reflects the launch of OS OpenData and the anticipated completion in 2010 of the head office building and a major IT infrastructure programme.

Provision of information to auditors

In so far as the directors are aware:

- There is no relevant audit information of which the Group's auditors are unaware;
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Fees paid to our auditors are detailed in Note 3 to the financial statements.



Paul Hemsley
Director of Finance
5 July 2010

Business performance

Key performance targets

Our business performance is measured externally against five annual targets set by government. They reflect our focus on financial stability, efficiencies in data collection and supply, reducing carbon emissions and growing business over the Internet. We met all five targets for 2009–10 as shown below.

Finance profit

To achieve an operating profit before interest, exceptional items and dividends of £14.6 million. Actual performance: £16.6 million.

Free cash

To achieve free cash flows of £12.5 million. Actual performance: £21.6 million. Free cash represents cash flows adjusted for capital project payments, dividends, exceptional items and long-term loan repayments.

Data currency

To ensure that 99.6% of significant real-world features, which are greater than six months old, are represented in Ordnance Survey's geographic data. Actual performance: 99.9%. Completeness of the database is measured through monthly audit samples carried out on the ground independently from the survey activity. The results are verified and collated to inform the annual measure.

Efficiency

To achieve operating cost reductions of 3%. Actual performance: 8.4%.

Customer experience

The customer experience index APM (agency performance monitors) sets the standards to ensure customers are at the heart of our business. The index targets two areas of the customer experience:

Customer satisfaction (external measure)

This includes a net promoter score (a customer's propensity to recommend our products and service to others); and a customer satisfaction index.

Customer service responsiveness (internal measure).

The KPIs measure the timeliness of specific operational activities. The combined target for these two measures is 80%. Actual performance: 95%.



Vanessa V Lawrence CB

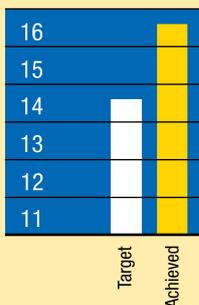
Director General and Chief Executive
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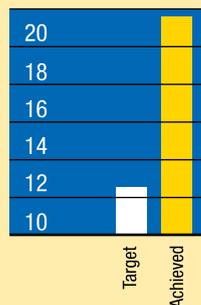
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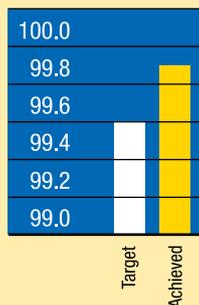
Operating profit
£million



Free cash flow
£million



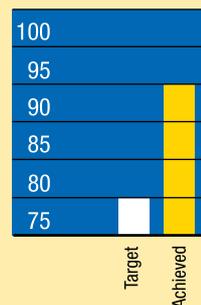
Data currency
%



Efficiency
%



Customer experience
%



Strategic context

It is now a year since our new business strategy was announced as part of the Treasury's Operational Efficiency Programme report and the Trading Funds Assessment. The strategy, which was posted online and made open for comments, sets out a series of reforms for creating simpler and easier access to geographic data. We continue to be self-funded and earn revenue by licensing our data, but are ensuring it is easier for customers and other businesses to access our information and services.

The strategy's launch marked the start of a period of rapid development and unprecedented change as we worked with stakeholders to deliver a number of initiatives to meet the key milestones set by government. By restructuring our resources, including ensuring we have the right staff with the right skills, we are also meeting our obligations under the cross-governmental five-year commitment to reduce costs by 5% year on year.

We have further enhanced our online mapping API, OS OpenSpace, which now has over 5 000 registered users, and introduced a new range of licences to provide users with free access to a wide range of mapping data for experimentation and development. Work continues on revising our pricing and licensing with the introduction of a new model expected in late 2010. We will be proposing changes to our derived data policy for the commercial sector and working with The National Archives and Cabinet Office to ensure that derived data issues do not unnecessarily impede the release of public datasets by other public bodies.

Following the success of the One Scotland Agreement for public-sector organisations, we anticipate a similar centrally funded scheme will be in place for England and Wales by 1 April 2011. We expect that this will cover all the core definitive national datasets needed by the public sector in order to provide vital and valuable services to citizens.

The new year started with the launch, on 1 April 2010, of OS OpenData, a groundbreaking online

portal providing free and unrestricted access to a large range of mapping and GI.

The intention to make some of our data freely available was announced by the previous Prime Minister in November 2009 as part of the Government's *Making Public Data Public* initiative. The project, championed by Sir Tim Berners-Lee and Professor Nigel Shadbolt, aims to support greater transparency and accountability within government, improve public services and create new economic and social value.

The public consultation document that followed in December 2009 set out various long-term strategic options for Ordnance Survey to harness our world-class expertise in the production, maintenance and application of high-quality geospatial information. More than 400 responses were received from a wide range of stakeholders with a clear majority (68% of respondents) agreeing that at least some of our data should be made available for free, although there was no clear consensus on a favoured policy option from those set out in the consultation document.

The consultation period closed on 17 March 2010, and on 31 March the CLG published the Government's response, which set out a modified approach to the original proposals in light of the responses received. This builds on the reforms we have already made and will ensure that we are right at the heart of digital innovation in Britain. The launch of OS OpenData marked the conclusion of this process and delivers greater access to GI in Great Britain than ever before.

We are delighted to be able to release for free some of our data to support innovation, accountability and growth and welcome the commitment made by Government to providing ongoing funding to support OS OpenData. This is fundamental to maintaining the sustained quality of our data and ensuring a sustainable organisation for the future.

Welcoming the launch of OS OpenData, Sir Tim Berners-Lee said: *'I'm delighted that*

OS OpenData – free and unrestricted access to mapping and GI

OS OpenData is an online portal allowing users to download a wide range of mapping and GI for free reuse direct to their computers; view maps and boundary information for the whole country; and develop web-map applications using OS OpenSpace API.

The online portal is made up of a range of raster and vector mapping datasets. These include the detailed 1:10 000 scale OS Street View[®]; Boundary-Line[™], which provides the electoral and administrative geography of the country; and Meridian[™] 2 and Strategi[®], which offer customisable views of Britain's topography. OS VectorMap[™] District, a brand new mid-scale vector and raster dataset that has been specifically designed to display information on the web, is also available.

The other datasets included in OS OpenData are 1: 50 000 Scale Gazetteer, 1: 250 000 Scale Colour Raster, OS Locator[™], Code-Point[®] Open, MiniScale[®] and Land-Form PANORAMA[®].

www.ordnancesurvey.co.uk/opendata

Ordnance Survey is releasing this data for free reuse. It will help people make fuller use of other government data on data.gov.uk, as well as stimulating innovation in mapping itself.'

Professor Shadbolt added: *'OS OpenData makes critical geographic information freely available to all of us. Our goal has been to facilitate innovation and reuse, to allow everyone the opportunity to enrich this valuable public data.'*

'The process of consultation has seen ongoing negotiation across government around which data was best for release, and all I would say is that it's a huge credit to everybody at Ordnance Survey who have been working on this. I've been impressed by the willingness to adapt, to extend, to think about new forms of project management and to really step up to the mark, so we're hugely grateful.'

Changing markets

As in 2008–09, the current economic climate is continuing to impact on almost all our key sectors, with organisations remaining focused on cost control and maximising return on investment.

Trading conditions are challenging, but the economic uncertainty continues to create opportunities as well as potential losses to our revenue streams.

Public-sector customers remain under pressure to reduce expenditure. In particular, the findings of the Operational Efficiency Review (OER), examining operational spending in the public sector, identified scope for £15 billion of efficiency savings. We firmly believe that access to high-quality GI has an important part to play in the cost-effective delivery of government policy while protecting or improving services to citizens.

Our key sectors

Public sector

We supply information to the public sector through four collective agreements, including local government, central government and the NHS[®]. The Mapping Services Agreement for local government has been extended to the end of March 2011. Ordnance Survey and its partners continue to supply our information under the four-year Pan Government Agreement, which started in April 2009. This provides a strong platform to increase central government's use of GI for the benefit of the public.

The Scottish Government's One Scotland Agreement, which covers local and central government as well as some health organisations, has grown in membership since its signature last year and is now supporting the principal aims and objectives of the GI strategy for Scotland – 'One Scotland, One Geography'.

Over the course of the year government departments have increasingly used GI, to support the draft Flood and Water Management Bill, the review of the Civil Contingency Act and planning for the forthcoming census. We have provided advice and technical support throughout the year to show how GI can enable policymaking decisions.

The current economic climate is having an impact on public-sector spending. This year saw an increase in initiatives such as CLG's *Local Place* initiative, which seeks to deliver better services at lower cost. Access to a wide range of public data, viewed as GI, will increasingly foster innovation and enable public information to be joined up and made relevant to the citizen.

Discussions to enhance the current commercial relationships in place in which Ordnance Survey will provide products and services to government



are underway, with all our public-sector customers following the previous Government's consultation announcement of the intention to move to a Public Sector Mapping Agreement. This service is intended to come into effect on the 1 April 2011, subject to agreement with CLG.

Utilities

In the utility sector capital investment spend is framed by the cycle of the regulatory environment and the current economic climate has not yet had a significant impact on our revenue stream.

Increasing regulatory pressure to improve services is a key driver for the market, and this year critical national infrastructure and natural hazards have become a greater focus for GI because of the requirement for real-time decision making as situations develop. Our highly detailed data facilitates a consistent and flexible exchange of information in such circumstances and it also continues to support customer management, the planning and maintenance of infrastructure networks, coordinating street works and the introduction of domestic smart meters.

We continue to focus our sales and technical support on adoption of address, roads and points of interest, datasets, highlighting the benefits these products can bring outside the traditional asset management function. We are receiving good support in this from the National Joint Utilities Group (NJUG) in the development of industry-wide guidelines.

Commercial

Banking, finance and insurance

Insurance claims are rising, mirroring a similar pattern seen in the last recession. While we believe that a continued focus on cost control will make investment in data and new systems challenging, there are opportunities for the use of our data in areas such as fraud reduction and risk accumulation. With the launch of the Government's consultation on the Flooding Bill, the use of GI for flood modelling has also captured the attention of the insurance community.

Cross-sector collaboration and, in particular, a joined-up government approach is proving very powerful within this sector. We are acting as a catalyst among many of the industry bodies to share information and encourage collaborative work, and see particular support from the National

Fraud Authority, Environment Agency®, British Geological Survey, British Banker's Association and the Association of British Insurers. We are collaborating with many government departments and agencies on a project to develop integrated hazard mapping to support key industry risks.

Land and property

The property market continues to show small signs of recovery, although the consensus now is that the recovery in this market will take several years. Land and property business for Ordnance Survey and its partners has been hit by the recession; however, we have outperformed the market as the majority of our revenue comes from the transactional elements of the market and significant work has been done to increase the amount of Ordnance Survey data being used within these areas,

We have been continuing marketing activity in this sector to raise the profile of the use of location to inform better decisions. Feedback has been very positive, and RIBA®, RICS® and New London Architecture will use one of our publications (land and property intelligence) as a prime communications tool to their members.

Transport

The current economic climate continues to mean customers are looking to maximise investment in vehicle fleets and reduce operating costs by minimising journey times. In addition, environmental concerns, such as carbon emissions, remain an influence on fleet operators. Throughout the year we have been demonstrating the advantages of using our information, including OS MasterMap® Integrated Transport Network™ (ITN) Layer, to meet these challenges.

Consumer market

Outdoor leisure

The transfer of our online map shop to a new e-commerce platform was implemented successfully early this year. The enhanced functionality on the site provided customers with a much-improved shopping experience. This had an immediate impact by reversing the downward trend, with revenue at its highest level for 12 months in the first two weeks of trading in 2009–10.

The success of the online channel has occurred within a challenging overall climate for the leisure

industry as consumers are cutting their discretionary spend.

While Nielsen BookScan data shows that across all map and atlas categories volumes of sales fell by an average of 7.8% in 2009, our paper map sales grew by 3.3% to outperform the rest of the sector.

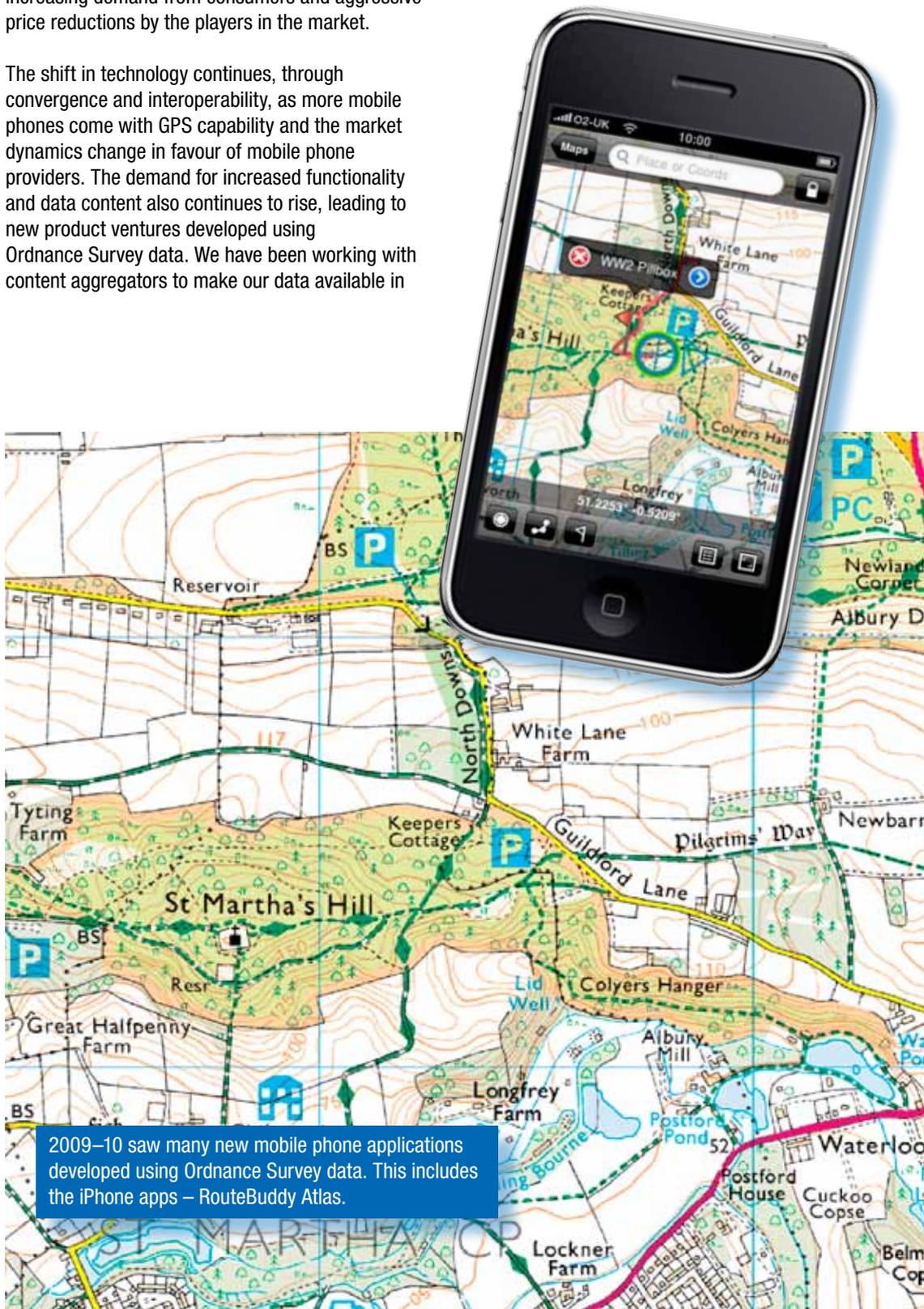
Personal navigation

The personal navigation device market has grown significantly in the last few years, fuelled by increasing demand from consumers and aggressive price reductions by the players in the market.

The shift in technology continues, through convergence and interoperability, as more mobile phones come with GPS capability and the market dynamics change in favour of mobile phone providers. The demand for increased functionality and data content also continues to rise, leading to new product ventures developed using Ordnance Survey data. We have been working with content aggregators to make our data available in

portable devices under licensing terms and at prices that are acceptable to the market.

The RouteBuddy® Atlas uses our 1: 250 000 scale to 1:25 000 scale data to turn the iPhone® or iPod® touch into a powerful hand-held mapping device, allowing access to maps from any location without data charges. By using the iPhone's built-in GPS, it can also display the user's current location and store maps directly on your device.



2009–10 saw many new mobile phone applications developed using Ordnance Survey data. This includes the iPhone apps – RouteBuddy Atlas.



Ordnance Survey's surveyors using state-of-the-art equipment to make changes to the master map of Great Britain.

The year in summary

The past year has been one of great change, which culminated in the launch of OS OpenData, an online portal providing free access to a wide range of our mapping. Amidst these challenges, our focus on collecting and maintaining the most accurate mapping data of the whole of Great Britain, as well as delivering an excellent service to our customers and partners, continued. Our day-to-day activities are founded on the business strategy launched as part of the Treasury's Operational Efficiency Programme Report and Trading Funds Assessment at the beginning of 2009–10.

The following sections show how business, government and individuals continue to rely on our data and how we are improving their experience of working with us. We also give details of how we are promoting innovation and product development, our data collection programme, stakeholder engagement and corporate responsibility.

Customer focused – improving the customer experience

Improving the customer experience

Throughout 2009 we have worked to improve the experience for all our customers. Feedback via a quarterly customer satisfaction index score highlights improvements on our 2008 score in after-sales support, responsiveness to enquiries and our communications. It also identified some areas for improvement in our terms and conditions, delivery methods and levels of expert knowledge. These are part of a package of work for improvement during 2010–11.

Continued improvements to our website have enabled customers themselves to find answers to queries, leading to an overall reduction of 12% in interactions via the Customer Service Centre. The volume of complaints in 2009 has reduced due to the improvements made to the online map shop to enhance customers' experience of the buying process.

Changes have also been made to the errors and omissions process, resulting in improved customer response times. Further enhancements to this process are planned for 2010–11, including a web-based collection tool to simplify and reduce the cost of handling error and omission reporting within the Customer Service Centre.

Many staff across the business worked very hard over a short period of time to ensure that the business was on track to deliver the OS OpenData service on 1 April 2010. Feedback has been very

positive about this service and improvements continue into 2010–11 to ensure a sustainable future for OS OpenData.

Understanding GIS use in the insurance and banking sector

In the complex and fast-moving financial services markets, customer requirements are constantly changing as a result of legislation, economic conditions and even the weather. To ensure our data continues to meet their needs, we have carried out research examining the use of GIS in operational risk and insurance fraud.

Of the 50 participants responsible for operational risk questioned at the OpRisk Europe conference in April 2009, over 60% said that GI is vital or important to their organisation, but less than a third currently use it their role. Those that do, use it primarily for disaster scenario and catastrophe modelling, fraud analysis and hot-spot/pattern analysis.

Geography and mapping is also being used by around three quarters of insurance fraud investigators to help highlight hot spots or patterns of fraud and validate claimant information. With incidents continuing to rise during 2009 and showing no signs of levelling out, fraud fuelled by the credit crunch is likely to remain a key issue for the industry.

Peter Upton, Chairman of the Insurance Fraud Investigators Group (IFIG), says: *'We now have a number of detection tools at our disposal and, together with Ordnance Survey's assistance, we are identifying more frauds and thereby protecting the innocent policyholders from increased premiums to pay for those fraud losses.'*

We continue to demonstrate the benefits of GIS and potential return on investment to the financial sector at networking events and conferences, via a dedicated newsletter and other promotional activities.



Network Rail rely on the accuracy of OS MasterMap to underpin maintenance work and infrastructure investment.

Responding to the needs of local businesses

Following discussions with local councils, MPs and the Chamber of Commerce, our first ever map to include The Black Country was launched in August 2009. Although it is not usual for our maps to show places that are not geographically defined, we are always happy to hear suggestions for changes to our titles. In this case, we agreed that it was a good opportunity to highlight the area's cultural and historical significance and the OS Landranger Map 139 now shows the region by name and has been retitled *Birmingham & Wolverhampton including The Black Country*.

Peter Mathews CMG, President of The Black Country Chamber of Commerce, comments: *'For The Black Country, which is where the Industrial Revolution started, to be officially recognised by Ordnance Survey is a great plus for Black Country and West Midlands business. Now people will be able to find us; they will be able to come to invest, to bring jobs and to do business; and without the strong support and help that we have had from Ordnance Survey, this would not have happened.'*

Supplying addressing data to the utility sector

One hundred thousand individual users working in gas, electricity, water and telecoms suppliers across the country are now using OS MasterMap Address Layer 2 to underpin their work. Each of its 27 million address points has a topographic identifier, or TOID®. This allows a user to hook their own data to it, making it an invaluable tool for storing customer and asset information such as water quality levels, repair schedules or recent billing transactions. The data is extensively used throughout the utility sector for customer address verification, incident notification, capacity planning and emergency call routing. The ability to refer to a particular address with confidence is also helping cross-organisational working, for example, with a local council, to better coordinate street works.

Address Layer 2 also includes information on multiple occupancy addresses, like flats, and the whereabouts of features without a postal address, such as public toilets, community centres and electricity substations. This information is vital for ensuring utility suppliers know where their assets are and emergency incident plans can be accurately made.

Alaric Parsons, GIS Analyst for Anglian Water®, adds: *'We place water bowzers in public places*

where there is no postal address. Car parks, for example, do not have postal addresses, so Address Layer 2, which provides coordinates, is very helpful.'

Network Rail

Network Rail's GI department uses OS MasterMap and various other Ordnance Survey datasets to provide a centralised service for the whole organisation. This GI portal is accessed by 5 000 members of staff, some 120 desktop users and around 900 project teams to underpin a wide range of activities, including track maintenance, infrastructure investment and environmental analysis. We are also working closely with the company's Property Management Department, helping them with their Positional Accuracy Improvement programme to accurately represent around 50 000 properties owned by Network Rail.

Future plans for the organisation include extending the GI portal to allow access by external customers within the rail industry, such as the Department for Transport, British Transport Police and the Office of Rail Regulation. Network Rail would also like to use it to communicate important issues about infrastructure maintenance, security and late train running penalties. We are currently reviewing our licensing and hope to develop an infrastructure licence that would be available to rail industry organisations, to enable the sharing of derived data.

Network Rail renewed their three-year contract with us in January 2010, to cover their operations in England, Scotland and Wales.

From ground to record in 24 hours – Yorkshire Water®

Yorkshire Water has a large network to maintain and, with repair work taking place daily, changes must be recorded accurately and quickly to ensure asset records are always up to date.

Previously, the methods used by field operatives for recording changes varied in accuracy and quality, and could take up to 28 days to reach the central office and a further 28 days to be logged. Using Panasonic® Toughbooks loaded with the in-house GIS, an electronic redlining tool and map datasets, including a flattened version of OS MasterMap Topography Layer and a range of raster products, all remedial and upgrade work is now recorded within 24 hours of being beneficially complete. Instead of 30 minutes, it now takes 10 minutes to file a record, cutting out 40 man days per month on administration

and saving the company £165 000 annually. Monthly paper reports have been cut by 96%, and 99% of queries are now resolved quickly by telephone rather than a field visit, with significantly fewer queries raised against submitted amendments to the network. This represents an annual saving of 200 man days on field visits or £40 000. Yorkshire Water is well placed to demonstrate asset management improvements to Ofwat.

'The decisions we make, when managing the network, are underpinned by the combined quality of the base geographic data and the asset record,' says Mike Turner, Asset Records Manager, Yorkshire Water. 'By using Ordnance Survey data our people are now more confident about the quality of the record and the decisions they make. This all supports the delivery of an improving service for our customer.'

Supporting our partners

More than 200 commercial organisations are now part of our partner community, which is a fundamental part of our business. Through the creation of a wide range of value-added products and solutions, they play a key role in ensuring that our data benefits both the public and private sectors.

Their innovative use of GI is recognised at our annual partner conference. Six companies were honoured this year: Leica® Geosystems, Mapflow®, Garmin®, ESRI® (UK) and Senergy® Econnect in partnership with Imass. In addition to the award ceremony, the 2009 event, which was attended by more than 250 delegates, was a chance to hear from key industry speakers and to meet and discuss future opportunities and uses of our data.

Support for our partners takes many forms, from dedicated account managers to high-quality point-of-sale materials that help promote our products. We were therefore delighted when our display stand, designed for use in Millets® and Blacks® stores, won the Gold Award in the 'Personal Products and Accessories' category of the annual POPAI® (Point of Purchase Advertising International) Awards that recognise excellence in point of purchase (PoP) fixture and displays. The judges were impressed by its green credentials and the fact that it helped to grow sales. The award-winning fixture is now installed in over 280 Millets and Blacks stores and is also being used in motorway service stations and independent bookshops.



OS MasterMap provides the base mapping for software used by British Water, Scottish Water and Scottish Power to undertake daily activities, including fault finding and generating customer quotations.

Mobile solutions for field-based staff

GeoField, developed by our partner Sigma Seven, enables mobile workers to access and capture data in the field, helping customers such as Bristol Water to increase productivity, cut operational costs, improve data quality and reduce environmental impact through more efficient task planning.

OS MasterMap provides the base mapping for the software solution used by Bristol Water, Scottish Water® and Scottish Power®. Scottish Water uses GeoField to demonstrate best practice network management through faster and more accurate fault finding, diagnosis and resolution of problems. At Scottish Power it has delivered a dramatic rise in estimator productivity within the connection business



by generating automatic customer quotations in minutes to meet demanding Ofgem® timescales. The utility also uses GeoField for faster, more accurate data collection in its vegetation management programme.

Bristol Water has fully integrated GeoField's Network Map Viewer, which enables field crews to access and use OS MasterMap without the need for a live network connection, with its Smallworld Enterprise GIS and SAP® Work Management System. The map data is directly linked to work orders sent from the central office system and, by sending new tasks wirelessly to engineers, workers can be quickly deployed to the next job without returning to the office. As well as adding sketches, photographs and notes, staff can also

send redline mark-ups back to base over the public GPRS (general packet radio services) network so that important information can quickly be made available to all.

During the first year of use, Bristol Water estimates it has made a saving of 7.5 tonnes of paper, which combined with savings on printing costs, reduces the engineering team's carbon footprint by around 30 tonnes of CO₂ every year.

'From week one the majority of field staff were working effectively from home, functioning in the field with access to GIS, with a dramatic reduction in paperwork and utilising new technology that we could only have dreamt of a few years ago,' says Gary Freake, Director of Network, Bristol Water.



The Scottish Parliament, who have benefited from the One Scotland mapping agreement.

Sharing data across the public sector

Groundbreaking shared data centre opened with Land Registry

Ordnance Survey and the Land Registry became two of the first government organisations to embrace the Government's Information and Communication Technology (ICT) strategy with the opening of a shared data centre in Gloucester. Under this mutually beneficial agreement, we are leasing 219 square metres of serviced and managed space at the Land Registry's existing data storage facility to house a proportion of our production IT infrastructure over the next five years.

Having two data centres running IT infrastructures and services at different sites not only helps us to meet industry best practice by physically separating our workforce from our live IT system, it also supports the launch of a new database management system. In addition, it will facilitate essential IT business continuity services in conjunction with our new head office and operations base when both sites are fully operational by the end of 2010. The deal helps the Land Registry meet its shared service strategy by using the extra capacity available at the data storage centre. The data centre is carbon efficient with a state-of-the-art venting system, which reduces overall energy consumption supporting the Government's ICT strategy aim of supporting the achievement of environmental and sustainability targets and reducing IT infrastructure costs by up to £300 million a year.

Analysing health trends to deliver improvements to patient services

NHS Lothian has signed up to the One Scotland Mapping Agreement and will use our data to aid the delivery of patient services. It is one of 74 Scottish public-sector organisations benefiting from the deal, which provides access to a range of our products, including OS MasterMap Topography Layer, to help deliver public services and easily share information with others.

Dr Alison McCallum, Director of Public Health and Health Policy, NHS Lothian, says: *'One of NHS Lothian's main priorities is tackling health inequalities, and access to this mapping data makes it easier to identify and target areas where people have poor health. This will be an important addition to the tools we use to analyse health trends and deliver improvements.'*

The One Scotland Mapping Agreement is the first time that the public sector anywhere in Great Britain has licensed Ordnance Survey products under a single agreement. The four-year partnership replaced the separate agreements for local and central government and reflects the need for information sharing between those organisations that work closely together, such as a local council and NHS board. It provides common terms for all the member organisations, therefore ensuring much greater opportunities for data sharing between those who increasingly work in partnership with one another.

The Scottish public sector is using mapping to support a wide range of services, including grant and subsidy management, environmental protection, emergency planning, community development and the provision of health and social care services.

Improving public sector efficiency and cost-effectiveness

The Environment Agency uses OS MasterMap Topography Layer and Address Layer 2, available through our Pan Government Agreement, to create the datasets it relies on when responding to flooding and other incidents in England and Wales. The organisation stores spatial information in a central data repository and runs an organisation-wide Intranet, giving its 12 000 staff in 31 offices access to GI as well as a public website (*What's In Your Backyard?*) providing extensive information on flood plains using easy-to-understand mapping.

The GIS helps to reduce the time taken to make decisions; for example, permits for people and organisations that conduct environmental activities can now be assessed and issued within minutes rather than days. Benefits also include more effective probability and consequence assessments and a better service to customers.

Rob Jones, GIS Change Manager, Environment Agency, comments: *'We are in the public eye. We need to demonstrate that we operate efficiently. Ordnance Survey data is helping us to work cohesively, focus on cost-effectiveness and maintain a healthy and diverse environment for present and future generations.'*

Providing reliable, up-to-date mapping

Working with Cumbria County Council, we have been ensuring that our data accurately reflects the area's critical infrastructure following the 2009

floods to provide those managing the recovery with updated mapping. Changes to roads and bridges have been mapped by our surveyors and are now reflected in the OS MasterMap Topography and Integrated Transport Network Layers.

Among the first changes to be made were the addition of the new army-built Barker Bridge and the Workington temporary railway station.

Our continued liaison with the Council ensured that all the other bridges in the county – whether closed, condemned or collapsed – were also recorded and updated as required with map updates made available to local authorities, government departments, emergency services and businesses.

A collaboration to coordinate data rooted in location

Almost 1 200 users from roads authorities and utilities in Scotland are benefiting from a centralised electronic register to coordinate roadwork activities. Recognised as one of the most advanced systems of its type, the Scottish Road Works Register (SRWR) uses the latest GIS technologies underpinned by OS MasterMap to manage the asset, customer and resources data held by utilities and roads authorities, which are all rooted in location. It is used for all notification, coordination, monitoring and inspection processes and, unusually for such a system, enables users to both access and edit the spatial data. Raster maps are used automatically to replace the OS MasterMap background when viewing a larger area.

Benefits of the SRWR include improved coordination to minimise disruption by warning of other planned works in the area or by flagging up planned road resurfacing or reconstruction to ensure that all excavations are completed in advance. The SRWR has also developed a website allowing the public to view all current and planned roadworks complete with information such as descriptions, start and end dates and contractor contact details. In addition, the centrally managed system means each organisation does not have to dedicate resources to the procurement, ongoing management and maintenance of individual systems, and frees up staff time to concentrate on their core duties.

'One simple benefit OS MasterMap brings is that it looks like a paper map. This makes it much more readily absorbed by non-GIS professionals when seeing the results of analysis. GI is no longer

confined to engineering or other specialist areas; it can add value to all parts of a business.' Alex Rae, Scottish Water, RAUC (S) Co Chair.

Combining CAD and GIS benefits the London Borough of Merton

Increased departmental cost-efficiency and minimised printing costs are two areas where the Traffic and Highways section of the London Borough of Merton has seen a return on investment following its integration of OS MasterMap with AutoCAD®.

The team initially found that whilst OS MasterMap is fully themed and styled, its detail and the GML files in which it is delivered can slow down work with CAD, in particular making it difficult to zoom and pan. By developing applications and programs to insert OS MasterMap data into CAD, the section ensures that its maps are always accurate because updating is easy to manage; mail-merge files for consultations can now be ready within an hour; CAD archive files are always up to date; and duplication and double entry are eliminated.

Bader Al-Sheibani, Traffic and Highways CAD Manager, London Borough of Merton, says: *'The combination of CAD and GIS gives us accurate plans and eliminates duplication, double entry and lengthy processes. This has a clear impact on efficiency, performance and the integrity of consultations. Obviously, it has an effect on cost. We avoid the risk of drawing schemes on old maps and printing consultation documents that are out of date, a potential problem for many councils. We regularly save time on preparing address files; and updating our master data is simple.'*

Promoting innovation and product development

Promoting innovation and reforming our licensing framework are key areas of our business strategy. During the past year we have introduced a series of initiatives, making it simpler and easier to access, and experiment with, our data to encourage a wide range of commercial and non-commercial uses. These culminated in the launch of OS OpenData. We also developed new, easy-to-understand licences for experimentation and development that provide users with free access to samples of 22 datasets, including the entire OS MasterMap product suite of topography, imagery, address and transport network layers, direct from our website. In addition, users can request data of up to 10% of anywhere in the country for free, giving them the chance to



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Following the 2009 Cumbria floods, mapping in the area has been frequently updated to reflect change.

test, develop and demonstrate the uses of location information internally or to potential customers.

Throughout 2009–10 we also continued to update and enhance our existing product portfolio with the completion of our quality development programme for OS MasterMap and the launch of our first new vector product in over three years.

OS OpenSpace

OS Openspace, which provides access to a range of our mapping for free to web developers and entrepreneurs, is founded on the principle of promoting innovation and allowing people to experiment with our data. It uses a piece of software code, the OS OpenSpace API, which requires no knowledge of GIS, to provide the necessary functionality to interact with a map.

A series of workshops were held providing hands-on experience of its benefits, focusing on topics such as how to create and add content to web maps and using boundary data with other datasets to create mash-ups. The sessions also provided an excellent opportunity for us to listen to suggestions and feedback from developers. To date 5 000 developers, including outdoor leisure enthusiasts, community groups, charities, small businesses and local authorities, have registered to use the service.

Throughout the year OS OpenSpace has been continually enhanced and improved and one key development was the introduction of OS OpenSpace Web map builder, a simple tool that allows users to add markers, routes and search functionality to their web map without having to write a single line of code, and revised terms of use to allow greater access to our data to create new mash-ups. The range of applications has diversified greatly from being mainly outdoor recreation websites to include the provision of public services, environmental and community projects. We also launched OS OpenSpace Pro, which is designed for use with high-volume and commercial websites.

Researching the benefits of fishing

Among the OS OpenSpace mash-ups already created by developers is the Big Lottery Fund-supported project looking into the benefits of fishing – The Assynt Angling Research website at www.assynt.anglingresearch.org.uk.

It uses web-based tools to gather information from anglers visiting the north-west of Scotland and

shows the best locations for angling. Users can also add markers, post information about which lochs they used, what they caught and how good the location was; with comments regarding long walks, wildlife or good views. It is hoped that users will develop the site to become the definitive guide to angling in the area and research information generated will be used to assist local community angling groups.

The website is part of a larger research project, undertaken by Substance, called *The Social and Community Benefits of Angling*.

Project Manager and Director of Substance Dr Adam Brown said: *'OS OpenSpace is crucial to the development of our web-based research as it is the only technology that allows online access to detailed maps of remote rural areas such as Assynt. Location links all the other information together... It also provides links to more traditional research tools, such as a questionnaire and feedback, and pictures can all be tagged to the geographic location, which means we can build up a really good record of what is going on.'*

Putting people on the map

An innovative mobile phone device called Locatorz, which provides a person's position to within 10 metres, is the first fully commercial application to use OS OpenSpace Pro.

It works by using a mobile phone's GSM connection to transmit its position to the Locatorz server by sending a GPS signal. From this signal it plots the information onto an Ordnance Survey map and sends it to a viewable, secure Internet page. The online service is built on the OS OpenSpace platform and allows smooth panning and zooming to locate colleagues, friends or loved ones. From doctors to estate agents and social workers to taxi drivers, the service will benefit those who visit locations where safety may be an issue.

Guy Norgrove, CEO at Locatorz, says: *'We are very proud to promote that Locatorz is enabled by Ordnance Survey and we have the reassurance that the service is built on the most reliable and consistent mapping around.'*

GeoVation – bringing map-based ideas to life

We are also supporting GeoVation by providing the data, tools and information to help people use geography to develop ideas that benefit society, make money or both. This innovation network



The Royal Automobile Club

Mayfair

Soho

St James's

Green Park

St James's Palace
Lancaster House

Powered by
 Ordnance Survey®

OS OpenSpace®

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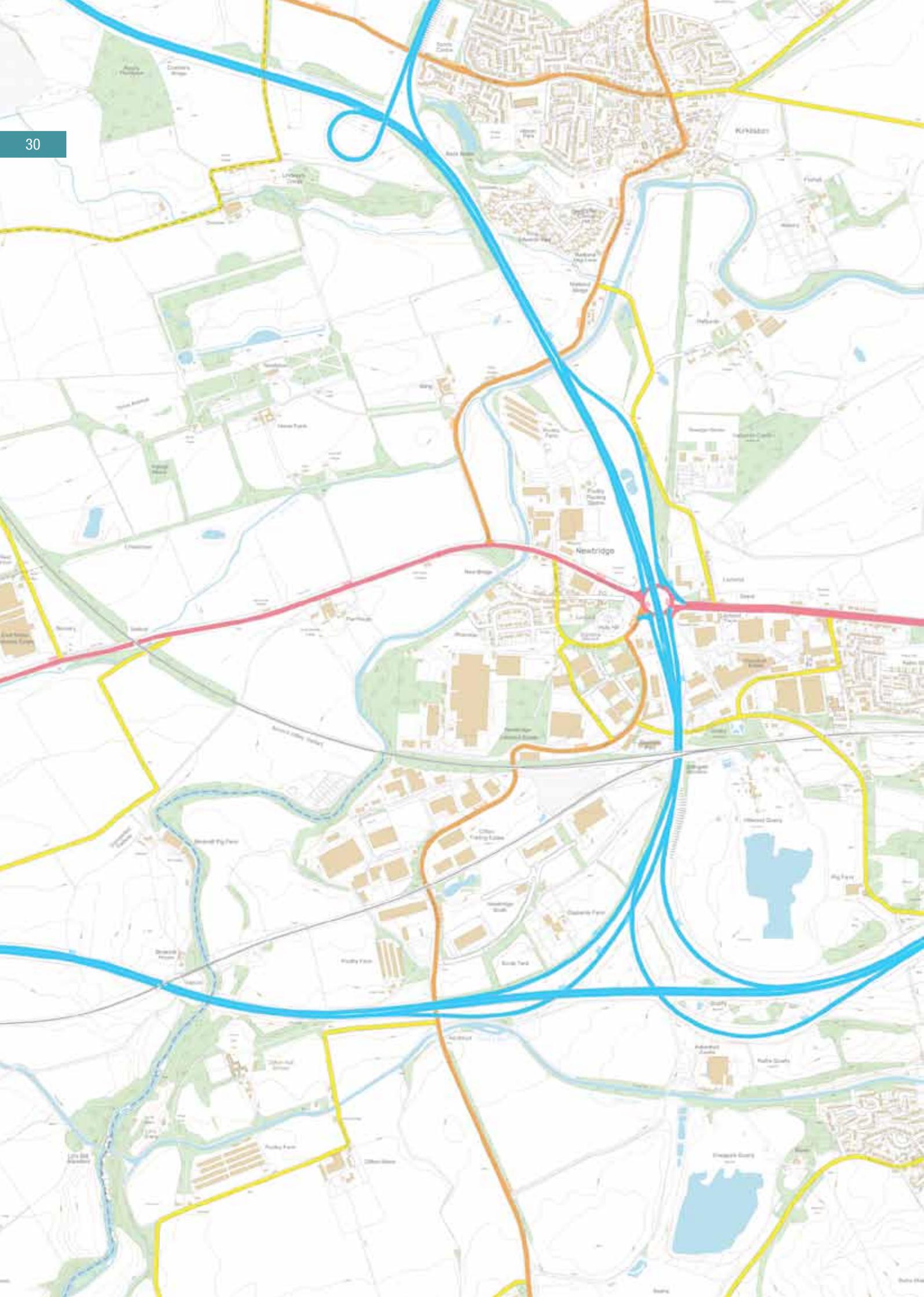
St James's Park Lake

St James's Park

CONSTITUTION HILL

Memorial

Vase



works by connecting members with others in the community who can assist in the development of technology, services, products and financial backing. The scope of ideas being supported by the network was demonstrated by the high quality of entries submitted to the GeoVation Awards Programme.

A giant floor map to support education in schools for schoolchildren was awarded the main prize of £11 000 in the GeoVation Awards Programme. The online initiative, supported by Ordnance Survey, aims to help people, communities and businesses bring their map-based ideas to life for the benefit of society.

MaxiMap was developed by Wales-based entrepreneurs Rowena Wells and Ann Jones, who successfully convinced the judges that their start-up business would benefit the most from the seed funding. The MaxiMap is a huge 20-square metre map of Britain, designed to be walked and played on, with the aim of exciting children about geography, teaching concepts like scale and distance, and the impacts of climate change.

Runners-up, Mission:Explore London – an interactive map of location-specific geo-located missions that can be navigated on mobile phone apps – was awarded £7 000, with £3 000 being given to London Blue Plaques, a search facility website.

In all, nine finalists had the chance to pitch their geography-based idea to a panel of expert judges, with entries including a massive educational map measuring 13 m by 11 m; online route cards for hill walkers; the Open Climate Data Repository; Map Britain on Horseback; the Goodfindr iPhone® app, for sourcing soft commodities in season; and Open.HistoryMap.

Launched in October 2009, the scheme has attracted over 300 members and generated more than 220 ideas or ventures.

OS VectorMap Local

The launch of a new, customisable vector mapping product, OS VectorMap Local, and a new web map service that hosts and supplies the latest and most accurate mapping to customers, OS On Demand, were two of the highlights at this year's Association for Geographic Information GeoCommunity conference held in September 2009. As a Platinum sponsor for the conference, we were pleased to officially launch these innovative products to more than 600 delegates who attended the event.

Following the launch in September 2009, the Welsh Assembly Government became the first user of OS VectorMap Local, to create geographic mash-ups to support a range of activities; from new planning guidance for mineral resources and aggregates safeguarding to rural payments and flood and river modelling.

This new digital mapping product provides an alternative to traditional raster mapping products, allowing users to completely customise the content, style and colour of the mapping to meet their needs.

Bill Oates, Head of Cartographics at the Welsh Assembly Government, is excited about the potential of the dataset: *'A well-structured, nationally consistent vector dataset at this intermediate scale has a key role to play in supporting many of the organisation's business needs.'*

OS On Demand: mapping – when you want it, where you want it

OS On Demand is a web mapping service that delivers location information to our existing direct customers and Licensed Partners for use with commercial activity under the appropriate licences. The service hosts and supplies the latest and most accurate raster mapping via the Web directly to a customer's desktop.

It offers a quick and easy way to view and work online with mapping. Because we worked with our partner community to ensure that it is fully compliant with Open Geospatial Consortium standards, data can easily be incorporated to any application quickly and with minimum costs; for example, within an organisation's own Intranet pages to ensure that everyone has access to, and is using, the same data.

Licensees can access the mapping anywhere with an Internet connection, allowing for a complete range of mapping data to be called up instantly to create instant visual context to whatever detail is required. The service contains Great Britain coverage for OS MasterMap Topography Layer (in a raster format), OS Street View, 1:10 000, 1:25 000, 1:50 000 and 1:250 000 Scale Raster, MiniScale; and an overview map of Great Britain.

Award-winning innovation

Walking bus and taxi scheme

Daventry District Council's innovative environmental project uses a combination of OS MasterMap



Topography and ITN Layers to help determine the best and safest walking routes to and from school for pupils and parents. Daventry District Council's Walking Bus and Taxi Scheme for Schools allows youngsters to draw their journeys, which the Council then maps electronically using GI technology.

The project received the National Gold Award for Environmental Best Practice at the Green Apple Environment Awards at the House of Commons and will now be featured in the next Green Book, the world's only work of reference on environmental best practice.

Saving time, cutting costs and reducing environmental impact

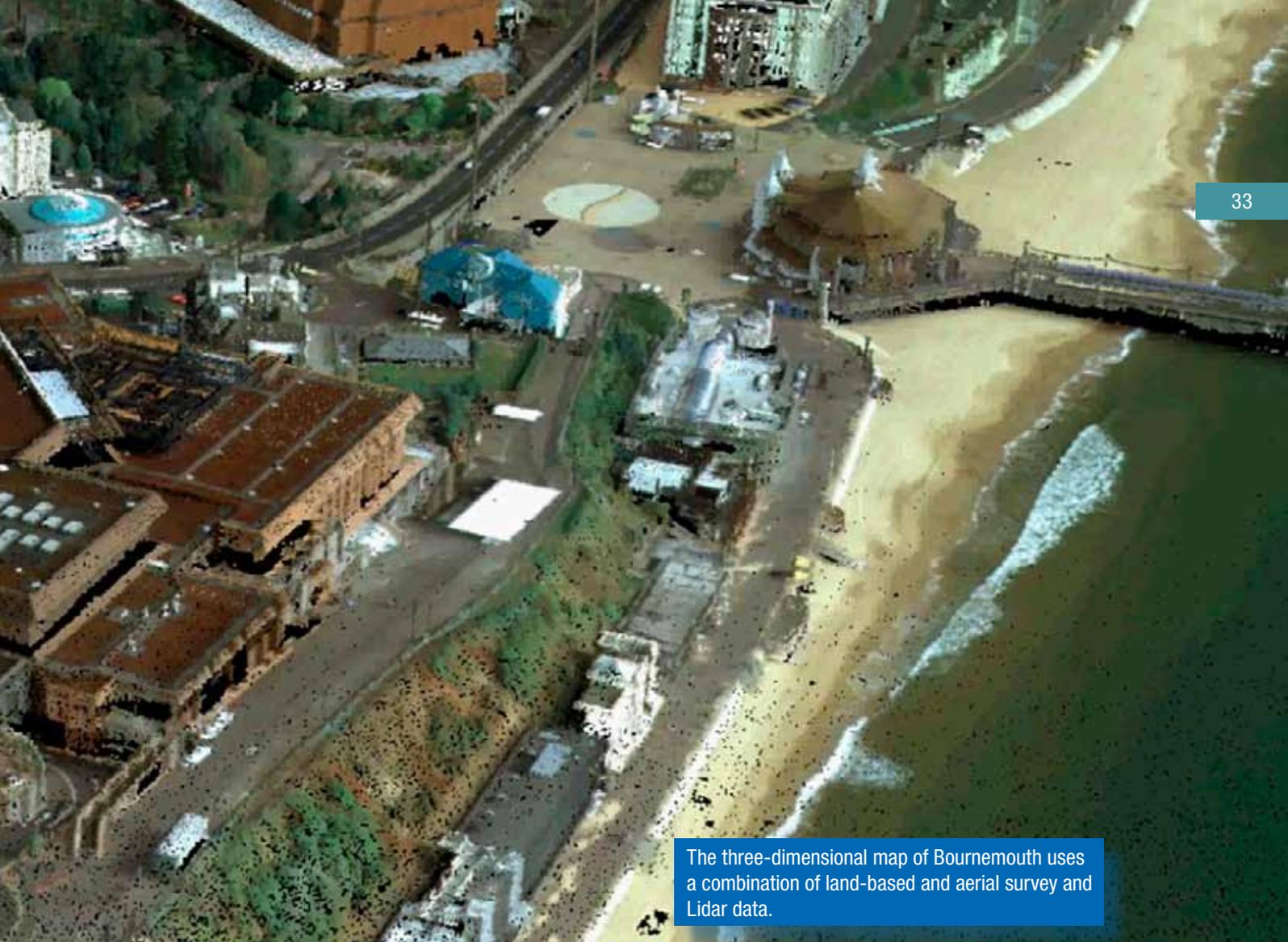
An award-winning investigation into the best way to improve the use of council-owned garages has saved many hundreds of staff hours, transportation costs and reduced carbon emissions for Bristol City Council.

Its Garage Strategy Team is responsible for assessing 300 garage sites and formulating

long-term plans for each of them and uses Pictometry® – detailed oblique aerial photos taken from a 45-degree angle, providing a bird's-eye view from all four cardinal points of the compass – to view a site from the desktop, cutting the need for visits and leading to efficiency improvements and considerable savings in both time and money.

The team uses the technology daily to get a clear perspective for surveying the sites properly as Pictometry picks out details not visible from normal overhead images and helps identify information not easily seen from the ground, such as encroachments, or where a site is very overgrown.

The project received an innovation award from Ordnance Survey and aerial imagery experts Blom Aerials for demonstrating the tangible business benefits of using Pictometry. The oblique imagery is now being used across the Council by surveyors assessing the condition of tower block roofing, to assist the Parks and Green Spaces Strategy and for asset management.



The three-dimensional map of Bournemouth uses a combination of land-based and aerial survey and Lidar data.

Maps for the future

A three-dimensional map of unprecedented accuracy and detail has been created by Ordnance Survey researchers as part of a three-year trial in Bournemouth. Using a combination of land-based and aerial survey with high-accuracy lasers, the team captured an area of the town, starting with the terrain and vegetation before adding individual buildings, the road network and aerial imagery. The resulting map, made from 700 million individual points of light, has the potential to revolutionise the way we work with far-reaching ramifications for personal navigation, tourism and the planning process as well as architects, and the emergency and security services.

Producing these maps for the entire country could enable organisations such as the emergency services to accurately visualise the scene of an incident before arriving, providing foreknowledge of points of access, any obstructions and the size and shape of buildings. Researchers have also been consulting with businesses that want to view buildings in 3D

and calculate heat loss from individual floors and walls in order to improve energy efficiency and drive down carbon emissions.

Location and linked data

Highlighting the key role of GI in using linked data to publish and connect information over the Web was the focus for Terra future™ 2010. The seminar attracted over 100 delegates from business, government and academia, and featured keynote presentations by Sir Tim Berners-Lee and Professor Nigel Shadbolt.

Sir Tim Berners-Lee emphasised that geospatial data was really important, but it is only a fraction of the data out there. Using the example of showing a church on an Ordnance Survey map, he described how linked data would include the denomination of the church, details of services, church committees and much more on top of the geospatial data. Terra future – Forging links was organised by our Research team with the aim of bringing the GI community and linked data community closer together.

Collecting, maintaining and providing information

Data Collection and Management (DC&M) is the part of Ordnance Survey with responsibility for collecting change, to maintain and update our databases and mapping products to meet customer needs. DC&M Operations and DC&M Production collaborate to ensure that the most efficient and effective methods of collection are employed, delivering best value to the business and to our end customers. Within DC&M Production, our Photogrammetric Services team uses the latest aerial imagery to collect change and our Field Survey teams operate throughout Great Britain to ensure that major change is collected and available to customers within six months of completion.

Focusing on Photogrammetric Services

Photogrammetry is the science of measuring and interpreting objects from photographs to answer questions such as what and how high is it? We use it to update OS MasterMap's Topography and Imagery Layers as well as our height data. It also plays an important part in supporting our field surveyors by helping to identify and capture changes to the landscape. All imagery is captured with a 60% overlap: this allows us to view any feature on the ground from at least two perspectives, enabling the imagery to be viewed in stereo (3D).

In addition to our in-house photogrammetric capability, we commission imagery acquisition and data capture from the private sector through the Integrated Data

Capture (IDC) contract. In 2009–10 contractors completed about 40 000 km of update.

A bird's-eye view

The process starts at Blackpool Airport, the home of our flying unit, which each year captures on average 50 000 aerial images covering 40 000 km² of Britain's urban, rural, moorland and mountain terrain. In addition to this integrated capture, the unit also supports our continuous revision programme by flying over areas such as railways and chemical works that are inaccessible to our on-the-ground surveyors. Targets identified for the 2010 flying season – running from late February to November – include the unusual addition of three Scottish lighthouses as well as a six-monthly capture of the main Olympic site at Stratford, London.

We operate two leased aircraft, a Cessna 404, which uses an Intergraph® DMC (digital mapping camera), and a Cessna 402 equipped with a traditional film camera. Later in 2010 the crew of five camera operators will implement a second digital camera to replace our film camera, to enable a fully digital flowline. Targets are captured at flying heights that vary from 3 000 ft to 8 000 ft, depending on the requirements of the accuracy of the mapping.

The annual flying programme is scheduled by DC&M's Programme Management team. The air camera



Aerial imagery of London Olympic Park April 2010

operators and staff at our head office then produce flight planning information from specialist software, which also produces maps for the pilots and air traffic control. This data is transferred to a computer-controlled navigation system, enabling the camera to be fired at predetermined positions controlled by GPS. A second dual frequency system is used to accurately determine the position of the centre of the photograph and the orientation of the aircraft. This provides geodetic control and minimises the need for expensive ground control. Once the imagery has been captured and quality-checked, flight diagrams are produced to show the location of the images.

Megapixels = maximum processing

Images captured by our film camera are converted into digital format by our scanning section. Our two Zeiss® Intergraph (Z/I) Photoscan® TD scanners take about six minutes to complete a 498 Mb scan. The section is also responsible for colour balancing photography for the OS MasterMap Imagery Layer by creating a seamless mosaic of up to 600 kms in size and comprising 1 km by 1 km tiles with no major colour variations.

At 128 megapixels, images taken by the digital mapping camera – which actually consists of four black and white or pan cameras, three colour, and one infra red – requires a processing stage. Processing ‘stitches’ together the four pan photographs to create one very large image. Each image takes around three to four minutes to process. We apply rigorous quality control procedures at all stages of scanning and processing. In addition, regular updating of our

software has resulted in improved image quality since we first started to use the digital mapping camera in 2005.

Delivering quality and accuracy to customers

An aerial triangulation process provides positional control for the imagery, ensuring that everything is in its correct National Grid position. The data is also orthorectified to remove any height distortions to accurately reflect the position of features on the ground. We do this by first creating a digital terrain model (DTM), which represents the ground surface as a set of 3-D coordinates and is viewed as a series of triangles, with each point giving a ground height measurement. The DTM ignores any man-made features and vegetation and resembles a mesh blanket laid out over the Earth’s surface and, by using special glasses, we can view it in 3D.

The next step is to make the imagery seamless. As the aerial photography is flown in overlapping parallel strips, we can select the best imagery to include in our final product. After being cut into seamless orthorectified kilometre squares, the imagery is quality tested and then sent to contractors for edgematching, our capture operators for updating our national database and added to the OS MasterMap Imagery Layer for use by customers.

The imagery is then used to update our large-scale topographic mapping, OS MasterMap; this is achieved by superimposing the mapping over the 3-D imagery. Operators then capture any change directly onto our large-scale map.





In March 2010 Michael Palin CBE, President of the Royal Geographical Society (with IBG), visited Ordnance Survey. During the year Ordnance Survey and the Royal Geographical Society (with IBG) worked together on a number of projects to promote geography and the importance of geographic information.

International engagement

Actions that the GI community can take to alleviate the impact of the economic downturn provided the theme for the second CC:The Exchange, held at our head office in July 2009.

The biennial event, which we organise and host, complements the long-running and more formal Cambridge Conference. It reflects the desire among delegates to come together more often as the pace of world change continues to increase.

Senior representatives from 31 international mapping organisations, including those in the United States, New Zealand, Nepal and Ethiopia, heard from a wide range of speakers, including Stuart Haynes OBE, Director of the Defence Geographic Centre. In addition, delegates visited the UK Hydrographic Office in Taunton, the Land Registry in Portsmouth and the Defence Geographic Centre in Berkshire. Among the topics for discussion were the impact of the economic downturn on countries, both in the developed and developing world, as well as the role that geography can play in connecting people in the fight against climate change.

Employee survey – Your Say

This year our annual employee survey, *Your Say*, assessed how engaged staff are with the organisation as well as asking for their opinions on issues such as job satisfaction. Questions focused on areas, including leadership and career development, to analyse which topics affected how engaged they feel.

The findings showed that people feel proud to work for Ordnance Survey and have a strong personal attachment to the organisation. Staff also told us they were interested in their day-to-day work and had increased confidence that their managers will act on the results of the survey.

We are now focusing on the changes requested by staff, in particular in the way we communicate across the organisation and in supporting our managers to lead more effectively. Directors and Your Say champions shared the results with each

of their Business Groups, and we continue to work with them to develop local action plans to support an overall corporate action plan.

Ordnance Survey took part in this survey alongside 96 other Civil Service organisations.

Corporate responsibility

Ordnance Survey is committed to using its expertise and resources not only to deliver its business objectives but also to realise social, environmental and economic benefits for its staff, the local community, the nation and beyond.

We value our staff's contribution to our corporate responsibility (CR) activities and actively encourage their participation in our CR programme.

CR in the community

We are committed to supporting improvement in the community through staff volunteering initiatives, supporting charities and our educational activities.

Charities

Staff voted the Alzheimer's Society, which works to improve the quality of life for people affected by dementia, as our Corporate Charity for 2009–10 and raised £13 112. In addition to a week of fund-raising activities during Dementia Awareness Week, many donations were made and teams were inspired to take part in the Alzheimer's Memory Walks. Fund-raising continued throughout the year with game shows, Christmas specials and one member of staff taking part in a parachute jump. The support provided to Alzheimer's Society will help to provide care for today and find a cure for the future.

We continued our support for MapAction to help achieve its goal of ensuring that vital information, in the form of maps, reaches the people who most need it after disasters. Our support this year increased due to the earthquake in Haiti, which destroyed the island's national mapping agency and all access to their mapping. A member of our staff also went to Haiti to work with MapAction to create GI data to



A member of the Product team using their volunteer day at a Southampton school.

support the rescue and relief effort, and staff also made donations to help the charity's work.

Local community

We continue to develop our relationship with a variety of local schools by providing work experience for Year 10 students through our links with Solent Education Business Partnership (EBP). Staff took part in a 'Business in a Bag' day at Oasis Lordshill Academy – bringing business expertise and motivation to the classroom. In addition, four of our teams also used their volunteer day to benefit local schools, with one choosing to work in the grounds of Nursling Primary School cutting back overgrown bushes and trees and creating paths to a pond. In total, 120 staff used their volunteer day to help local communities or charities.

In May we hosted the Young Enterprise presentation and judging evening for the area winners of the Young Enterprise Awards for schools in and around Hampshire.

Free maps for 11-year-olds

Since its launch in 2002, our free maps for schools scheme, which supports the national curriculum

for England and Wales and the national guidelines for education in Scotland, has delivered 5.7 million maps. In 2009 over 90% of local authority schools chose to receive free maps with just over 640 000 children benefiting. Feedback from teachers, pupils and parents show that the maps are an invaluable extra resource in the teaching of map-reading skills and related work.

Children taking part in the initiative could also enter a competition by answering questions on map skills and proposing suitable places for archaeological excavation. As a result, eight children were chosen to spend the day with Time Team at the filming of a dig investigating Roman remains at Littleington in Cambridgeshire.

CR in the workplace

Equality and diversity

Equality and diversity are embedded in all our HR policies and procedures. Our current equality scheme is due to end in May 2010 when a final progress report will be published on our website. We will now be revising and updating the scheme to incorporate religion and belief, age and sexual orientation in accordance with the impending



Free maps for schools competition winners meeting Tony Robinson from Time Team.

Equality Bill. We also continue to maintain our business-wide group of equality advocates.

To ensure that managers understand their specific responsibilities when dealing with staff issues, we have issued a development training module that includes a session entitled 'Diversity and equal opportunities'. We also continue to advertise in various diversity publications to encourage and attract applications from all social and cultural groups.

Where appropriate, equality and diversity are also considered in our product design, such as in the development of OS VectorMap Local, a flexible product allowing users to customise the look and feel of their map, adding their own information and applying different map colour styles. We also invited volunteers to share their experience and knowledge of colour deficiency to help us improve the accessibility and usability of future maps and services to our customers.

Developing our people

We are committed to supporting the development of our people and offer a variety of opportunities for learning and development, including

classroom-based training, short 'bite-size' learning sessions and coaching online resources.

We continually review and refine our Learning and Development portfolio, and this year we extended our offering by launching a new management development programme. We have also continued to grow our internal coaching network to help further support the needs of all our employees. We also introduced a Leading for Change programme for all our people managers. The next phase is to build upon the principles and behaviours introduced on the programme to ensure that our teams are motivated, inspired and committed to the business, delivering positive outcomes during times of change.

The group gives full and fair consideration to applications for employment by the company made by disabled persons, having regard to their particular aptitudes and abilities, for continuing the employment of, and for arranging appropriate training for, employees of the company who have become disabled persons during the period when they were employed by the company, and for the training, career development and promotion of disabled persons employed by the company.

Employee sickness and absence

The group monitors employee absence, both on a collective and individual basis. Return to work interviews are held with employees to ensure appropriate support is provided and adjustments to their role are made if necessary.

The average days lost per year, due to sickness per employee are 5.26 (2008–09: 5.3). The total working days lost are 6 386 (2008–09: 7 457).

Health and safety management

Despite extremely difficult weather conditions during the winter, we have seen a marked reduction in the number of accidents, which are down by 47% compared to last year. In addition, there have been no reportable accidents under the Health and Safety Executive's RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) requirements.

With the new head office building currently under construction, our health and safety department has been actively involved in assisting the design team in preparing the work areas for staff and the development of a comprehensive fire safety strategy.

A formal checklist was developed for use by the increasing numbers of staff working at home. This is a helpful addition in identifying if any homeworking activities are compromising their health or safety. Any concerns arising from these checks are discussed with line management to seek a suitable resolution.

Lone working is another activity where we have been developing systems to ensure our staff are provided with as much practical safety information as possible, thus ensuring robust decisions can be made on the activities being undertaken.

During the year a number of software enhancements have been made to the health and safety training database. The ability to send automated reminders to staff for any regular or refresher training required is helping to ensure that we meet current legislative requirements.

CR and the environment

Our environmental management system (EMS) continues to support our Environmental policy. It can be accessed by all staff via our Intranet and

has three main drivers: legislation, Sustainable Operations on the Government Estate (SOGE) targets and CR.

Staff initiatives

We are committed to reducing both our carbon footprint and environmental impact and promote continual environmental improvement in our daily operations. This is achieved through our Environment team and a network of Eco-Partners, who are our environmental champions in each of our Business Groups. During the past year they have supported the Environment team in all ongoing initiatives, including the introduction of a new plastic recycling scheme and in conducting an environment rating of our field offices. We continue to raise awareness of key programmes to all staff, such as switching off electrical equipment and using the correct recycling facilities, as well as through the introduction of an environment induction process for all new staff.

Energy

Our CHP (combined heat and power) system still generates around half of our electricity requirements, with the remainder obtained via the grid, generated from a renewable source. As part of our SOGE reporting, we have a target to reduce carbon emissions by 12.5% by 2010–11, relative to 1999–2000 levels. We are on target to achieve a 19% reduction for 2009–10.

Procurement

We continue our drive for sustainable procurement by improving our evaluation of products in support of Defra's 'Government Buying Standards'. This is a set of minimum specifications for adoption by government departments when procuring goods. By setting out sustainability criteria for different products, they support the aims of the SOGE targets and make it easier to buy sustainably.

Examples of contracts where we have incorporated the standards include our fleet average of new cars purchased are no higher than 130g/CO₂/km, copying paper has a 100% recycled content, and our furniture tender must be purchased in accordance with UK timber procurement policy.

Travel Plan

We continue to encourage and promote sustainable forms of business and commuter transport. Although the number of staff cycling and car sharing to work

has reduced as a result of an overall drop in staff numbers at Ordnance Survey, we still attract new car-share groups and around 6% of staff cycle to work, which is higher than both the national and local averages.

Car sharing			
Year	Groups joining	% Growth	Total
2004–05	71	100%	71
2005–06	23	32%	94
2006–07	13	14%	107
2007–08	13	12%	120
2008–09	28	13%	135
2009–10	-10	-7%	125

Although we continue to attract new car-share groups, the overall reduction in number of car-share groups is due to staff departures.

Our bike-to-work scheme, Cyclescheme, continues to be a success, with 55 people signing up to the scheme this year and 44% of participants claiming to be either new to cycling or cycling to work more often since purchasing their bike.

Cycling	
Year	Average number of cyclists per day
2004–05	60
2005–06	79
2006–07	82
2007–08	77
2008–09	83
2009–10	67

Reduction mainly due to staff departures, and reduction in agency staff.

Waste

We have met both of the Government's SOGE targets for waste. We have exceeded the targets to recycle 40% of our waste by 2010, and to reduce our overall waste by 5% from 2004–05 levels. Our focus continues to be preventing waste at source and minimising the amount sent to landfill in order to meet the next level of Government targets for the next 10-year period.

Waste			
2004–05			
Office waste recycled	21%	Non-office recycled	71%
Office waste landfill	79%	Non-office landfill	29%
Tonnage	282	Tonnage	407
2005–06			
Office waste recycled	24%	Non-office recycled	86%
Office waste landfill	76%	Non-office landfill	14%
Tonnage	302	Tonnage	538
2006–07			
Office waste recycled	35%	Non-office recycled	72%
Office waste landfill	65%	Non-office landfill	28%
Tonnage	304	Tonnage	443
2007–08			
Office waste recycled	25%	Non-office recycled	79%
Office waste landfill	75%	Non-office landfill	21%
Tonnage	266	Tonnage	512
2008–09			
Office waste recycled	29%	Non-office recycled	80%
Office waste landfill	71%	Non-office landfill	20%
Tonnage	280	Tonnage	375
2009–10			
Office waste recycled	44%	Non-office recycled	79%
Office waste landfill	56%	Non-office landfill	21%
Tonnage	273	Tonnage	376

Water

We continue to monitor our water consumption and manage any unusual trends in line with Government targets. A programme of site surveys has seen several underground water leaks repaired, resulting in significant savings being made. In 2009–10 we consumed 60 266 m³ of water, a 27% reduction on the previous year. Combined with a trade effluent refund negotiated by the Environment team, water costs for 2009–10 were around 30% lower than in 2008–09.

From vision to reality – the route from Romsey Road to our new head office

In just a few months the first of our staff will make the move from the Maybush area of Southampton to our new head office in Adanac Park. With its modern, ecologically friendly design, this flexible new workspace is a fitting 21st-century home for a forward-looking information and technology business at the forefront of the GI sector.

Changes in customer demands, working techniques, staff numbers, and the way we work to meet these; as well as an increased awareness of our corporate, social and environmental responsibilities, have all impacted on the development of the new head office. Staff have also played a pivotal role in helping to make design decisions through trials of a model office and contributing their ideas to the overall look and feel of the building.

Today we are a very different organisation to the one that welcomed the Queen to the official opening of the Romsey Road offices in 1969. Then we employed more than 3 000 head office staff and cartographers drafted our paper maps at large desks which took up a lot of space. The technology we used then also required more room, as did our filing systems.

In 2010 digital data is by far the largest part of our business and, because it is created, updated and delivered using computer, our requirement for office space has been dramatically reduced. In addition, our workforce is smaller and much more mobile, with some staff only visiting the office a few days a week, allowing desks to be shared. Videoconferencing is replacing on-site meetings and electronic storage systems have also significantly cut the amount of furniture needed.

Maximising natural resources, minimising carbon emissions

Situated alongside the M271, the three-storey building's eye-catching architectural features are integral to its energy efficient design that is expected to earn a BREEAM® 'Excellent' rating and will meet government environmental targets. The main office areas are all naturally ventilated, with computer-controlled windows opening as required to cool the building. The four chimney-shaped and two funnel-shaped structures on the roof are designed to assist the natural ventilation in the offices by generating a cross draft, reducing the need for air conditioning. The two large funnel shapes on the

roof are the top of service cores, and resemble the funnels of Southampton's famous cruise ships. These can be seen from the M271 and provide a striking addition to the skyline at the gateway to the city that has been our home for more than 160 years. An architect designed, 10-metre high wall made up of over 12 000 bricks, in a textured pattern, and split into two sections will act as an acoustic buffer to minimise motorway noise and allow the windows to be opened.

The open-plan offices are found along four 'fingers', each of which has a balcony at first and second floors. The whole building will be heated and kept cool by the largest ground source heat pump system in Hampshire, which consists of up to 100 bore holes almost 100 m deep connected to heat pumps. Toilet and irrigation water will be provided by a large rainwater harvesting system, while all kitchen waste will be recycled on site. Other initiatives include a computerised lighting system that responds to levels of external daylight and switches off and on to achieve lighting levels and reduce electricity consumption.

In addition to the new office space, the approximately 14 000 m² building has a huge, light and airy atrium, which will act as a social hub through the building and contains the restaurant, coffee bar and *hub* shop. On the opposite side of the atrium is the Business Centre, including lecture theatre, multipurpose space for events and displays, and various sizes of conference and meeting rooms. There is also a nursery on site as a stand-alone building and facility. Outside, within the 15.7 acre site, there is parking for 550 cars, the maximum allowable under current planning conditions. We will be encouraging as many of our 1 300 staff as possible to use public transport, car-share schemes or cycling to work. To encourage this there is a large undercover cycle and motorcycle area attached to a changing and shower block with lockers. This will also serve for staff wishing to take advantage of exercise in the adjacent woodland or those playing volleyball in the summer.

Countdown to the new corporate head office

December 2005: Plans for new head office are announced.

March 2007: Contract for head office plan signed with Kier Property.

January 2008: Members of Test Valley Borough Council's Planning Committee unanimously recommend approval of our plans.

June 2008: 'Decision notice' indicating the successful completion of the 'S106' planning agreement for the development is issued by Test Valley Borough Council.

April 2009: Work begins on the site with John Denham MP, Secretary of State for Innovation, Universities and Skills joining Vanessa Lawrence CB and representatives from Kier Property to 'break ground'.

January 2010: Vanessa Lawrence CB takes part in the *topping out* ceremony, marking the completion of the external structure.

November 2010: Staff are expected to start moving in to the new offices.

December 2010: The move from Maybush is expected to be complete.



Vanessa V Lawrence CB, joined by representatives from Kier at the Topping Out ceremony at Adanac Park.

Our Directors



Sir Rob Margetts CBE
Non-Executive Chair

Sir Rob was appointed as Ordnance Survey's first Non-Executive Chair in August 2008. His role is to lead Ordnance Survey's Strategy Board and he reports to Shareholder Executive, the body that advises Ministers and senior officials on the Government's 'shareholding' in organisations like Ordnance Survey.

Beginning his career with the ICI® Group in 1969, Sir Rob progressed through a number of appointments within the group prior to joining the Board in 1992, becoming Vice-Chairman from 1998 to 2000. From 2000 to March 2010 he was Chairman of Legal & General® Group plc and of BOC® Group plc from 2001 to 2006.

He is also Non-Executive Director of Anglo-American plc and Chairman of the Energy Technologies Institute and Ensus Ltd. Sir Rob was Chairman of the Natural Environment Research Council (NERC) from 2001 to 2006.



Vanessa V Lawrence CB
Director General and Chief Executive

Vanessa is the official adviser to the British Government on the short and medium term strategy for mapping, surveying and GI. Until November 2008, when responsibilities were transferred to Defra, she chaired a high-level group with membership drawn from the public and private sectors advising Ministers on using location information to improve decision making in government. Vanessa is the first woman to head Ordnance Survey and one of the youngest Director Generals in its 219-year history. She is a world-renowned expert in how GIS can improve decision making at all levels of government and business. In 2009 Vanessa was appointed honorary Colonel of the 135 Independent Geographic Squadron, Royal Engineers.

Vanessa also holds a number of honorary and representative roles with organisations associated with GI. In 2008 Vanessa was made The Institute of Directors' Director of the Year for the South of England, and Honorary Fellow of the Royal Academy of Engineering and appointed as an Independent Board Member at the University of Cambridge®.



Paul Hemsley BA FCA FRSA
Director of Finance

Paul leads our Finance and Procurement Departments as well as the Programme Delivery Unit on an interim basis. Paul is a graduate chartered accountant with extensive business experience in both private companies and the public sector, where he was Chief Accountant at the Defence Evaluation and Research Agency (DERA) and the Department for Work and Pensions (DWP). He acted as Group Finance Director of Reliance Security® Group Ltd and joined us from The Innovation Group plc, where he served on the Board as Group Finance Director.



Bob Goodrich
Director of Information Systems

Bob is responsible for Ordnance Survey's entire technology infrastructure. This includes the implementation of our new seamless database management system, which will improve the speed and efficiency of how we handle and generate our GI. Bob was previously the Programme Director. He originally trained as an Ordnance Survey cartographer before moving to Research and Development, and finally Information Services. It was there that he was instrumental in the 2001 delivery of OS MasterMap, the largest seamless geospatial database in the world.



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. In his former employment he established the UK organisation for a US B2B (business to business) collaboration and e-commerce web portal solutions provider in 12 months, and launched the brand in an emerging marketplace.



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, she held a number of senior posts at Centrica® plc, the most recent of which was Customer Services Director with Goldfish® – Centrica's banking business.



Peter ter Haar
Director of Products

Peter is responsible for all aspects of product management, including product marketing, engineering, cartography and supply. He joined Ordnance Survey in November 2006 and has more than 18 years' experience in product management and business development. Peter has worked in both the public and private sectors in GIS, location-based services (LBS) and mobile technology. His previous roles include Head of GIS at the City of Amsterdam, and senior product and technical management roles in Geodan, Autodesk® Europe and Intergraph Europe.



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, he 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.

Non-Executive Directors

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



Mike Carr

Mike is the former Chief Science Officer for BT® and was responsible for the company's world-leading research and commercial exploitation unit, including patent licensing and corporate venturing activities. Mike is currently a Council Member of the Engineering and Physical Sciences Research Council (EPSRC).



Michael Sommers

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



Piers White MBE

Piers is a banker by background and, until the recent sale, was 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 CIPFA Business Ltd, Croydon Economic Development Company, and a school governor.



The Shareholder Representative

Charlie Villar

The Shareholder Executive was created in September 2003 to improve the Government's performance as a shareholder in businesses. It advises Ministers and officials on a wide range of shareholder issues, including objectives, governance, strategy, performance monitoring, board appointments and remuneration. The Executive has also been tasked to programme manage the Operational Efficiency Programme. Charlie joined the Shareholder Executive in September 2003. Prior to that he spent over 10 years as a consultant at Andersen. During that time he predominantly worked in the telecommunications and media sector. In the Shareholder Executive, Charlie leads on Northern Rock®, Bradford & Bingley®, Channel 4, BBC Worldwide, Ordnance Survey and the Royal Mint.

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 (individuals may elect to work up to age 65), unless appointed on a fixed-term contract. 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

No executive director has a service contract requiring a notice period from Ordnance Survey of more than one year. The policy on early termination is to provide compensation which reflects Ordnance Survey's contractual obligations.

3. The Remuneration Committee at 31 March 2010

The Remuneration Committee is currently chaired by the Non-Executive Director Michael Carr and meets at least annually to agree the remuneration policy and practice for Executive Directors and other senior staff. The Committee also advises on the direction on the overall remuneration strategy for all staff. The Non-Executive Chairman, Sir Rob Margetts, and Non-Executive Director, Piers White also serve on the Remuneration Committee. The Committee is supported and advised by the Director General and Chief Executive, Vanessa Lawrence, and the Director of Human Resources and Corporate Services, Jan Hutchinson. These Executive Directors are not present for discussions on matters concerning their own remuneration.

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 Directors of Ordnance Survey are provided on page 49.

Salary includes gross salary, performance pay or bonuses, recruitment and retention allowance and all allowances that are subject to UK taxation. The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue and Customs as a taxable emolument. In 2009–10 Neil Ackroyd and Peter ter Haar each had use of a car under the terms of the Private Use Scheme, the respective benefit in kind amounts were £6 000 (2008–09: £6 000) and £4 000 (2008–09: £4 300). Any bonuses payable for 2009–10 have yet to be approved. No payments (2008–09: £nil) were made in respect of compensation to former directors during the year.

Directors' remuneration	Salary 2009–10, including 2008–09 performance pay	Salary 2008–09, including 2007–08 performance pay
	£'000	£'000
Vanessa V Lawrence CB Director General and Chief Executive	225–230*	200–205
Neil Ackroyd Director	145–150	135–140
James Brayshaw Director	145–150	145–150
Peter ter Haar Director	115–120	110–115
Jan Hutchinson Director	135–140	135–140
Bob Goodrich Director	110–115	110–115
Mark Alexander Director (until December 2009)	95–100 (125–130 full year equivalent)	120–125
Paul Hemsley Director (since December 2009)	70–75 (215–220 full year equivalent)	–

* Includes pay in lieu of holiday of £18 000 (2008–09: £0).

5. Directors' pensions

This information is unaudited.

Directors' pensions	Real increase in pension and related lump sum at age 60	Total accrued pension at 60 at 31 March 2010 and related lump sum	Cash Equivalent Transfer Value (CETV) at 31/3/09	CETV at 31/3/10	Real increase in CETV after adjustment for inflation and changes in market investment factors
	£'000	£'000	£'000	£'000	£'000
Vanessa V Lawrence CB Director General and Chief Executive	2.5–5 plus 0–0.5 lump sum	30–35 plus 12.5–15 lump sum	373	449	48
Neil Ackroyd Director	0–2.5 plus 0–0.5 lump sum	15–17.5 plus 2.5–5 lump sum	192	237	29
James Brayshaw Director	0–2.5	15–17.5	199	244	28
Peter ter Haar Director	0–2.5	5–7.5	51	80	22
Jan Hutchinson Director	0–2.5 plus 2.5–5 lump sum	10–12.5 plus 30–35 lump sum	205	252	33
Bob Goodrich Director	2.5–5 plus 7.5–10 lump sum	45–50 plus 135–140 lump sum	965	1 073	56
Mark Alexander Director (until December 2009)	0–2.5	2.5–5	30	54	19

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 4 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.

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.

Paul Hemsley is a member of the Partnership Scheme, for which the employer's contribution was £9 800 (2008–09: £nil).

James Brayshaw and Peter ter Haar are members of the Premium Scheme; the remaining Directors are all members of the Classic Scheme.

The table above shows the members' cash equivalent transfer value (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 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax, which may be due when pension benefits are drawn.

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:

	2009–10	2008–09
	£'000	£'000
Sir Rob Margetts CBE	60	40 (60 full year equivalent)
Michael Sommers	20–25*	15–20
Piers White	15–20	15–20
Michael Carr (Since July 2009)	10–15	–
Dr Katherine Innes Ker (Until July 2008)	–	5–10

* Increase in fees due to additional responsibilities.

Charlie Villar receives no remuneration for his services as the Shareholder Representative.

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 International Financial Reporting Manual (FRoM). 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 Auditor General to the Houses of Parliament, which is to be found on page 56 of the Annual Accounts.



Vanessa V Lawrence CB
Director General and Chief Executive
5 July 2010

Statement of Ordnance Survey'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 Ordnance Survey'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 Ordnance Survey 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 Ordnance Survey 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 Managing Public Money (The Stationery Office®, October 2007).

Statement on Internal Control

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a robust 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 Managing Public Money¹.

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, 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 and Shareholder Executive on Ordnance Survey's performance and progress and have several meetings each year with appropriate officials to discuss strategy, performance and risk management.

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.
- 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.
- Has been in place in Ordnance Survey for the year ended 31 March 2010 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 & Risk Committee (OSARC). Our Chief Risk Officer (CRO), Senior Information Risk Officer (SIRO) and Head of Risk & Assurance lead and manage the internal audit, operational risk, information assurance & IT security and business continuity management functions across Ordnance Survey to promote continuous improvement and adoption of best practice within the corporate risk management processes.

We have revised and updated the Risk Management Framework and undertaken significant risk management training across the organisation. The risk management system (Magique) has been upgraded and is used consistently across the organisation.

We are committed to delivering effective and responsive enterprise-wide risk management across Ordnance Survey. Significant improvements and a revised Risk Management Framework have been agreed and implemented in line with industry best practice and to ensure a consistent approach. The ongoing risk improvement programme is on target and is reviewed at regular intervals by the appropriate executives to ensure effective progress on agreed deliverables.

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 identified and managed at all levels of the organisation so that Ordnance Survey's exposure to risk, including information risk, is captured, 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;

¹ HM Treasury: Managing Public Money, December 2008.

- risks to information are proactively identified, categorised and prioritised in a consistent manner throughout the business;
- actions to mitigate all identified risks to acceptable levels are designed, assigned an owner, implemented and reviewed for effectiveness;
- all 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 level of risk is determined and risk management, including information risk management, is embedded in the activities of Ordnance Survey through the roles and actions of the key decision-making groups:

- Strategy Board (Executive and Non-Executive Directors) receives regular updates from the Risk and Assurance function through a monthly business report identifying significant business risks and sets an 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 the Risk and Assurance function and other responsible officers on our key risks influencing successful delivery of business objectives;
- Business Change Board and Investment Group ensure that risks are taken into account in managing the programmes and projects for which they are responsible through the Project Management Office;
- Risk & Assurance committee and various related working groups with responsibility for management, monitoring and reporting of Internal Audit, Operational, Information and Business Continuity Management risks;
- Business Group management boards review local risks and provide input into the corporate risk reporting process;
- Individual directors certify the effective operation of key controls for each business areas; and
- OSARC provides independent assessment and tests the effectiveness of our internal governance, risk and control processes. It is supported by the Risk and Assurance function, which incorporates Internal Audit, Operational Risk, Information Assurance, IT Security and Business Continuity Management.

Ordnance Survey is committed to involving stakeholders where practical in the management of risks which 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, employees and partners about our future product development programmes and pricing models.

Ordnance Survey have published its interactive Business Strategy on the website and has recently been involved in and completed a public consultation on making data available free of charge. In conjunction with the consultation, Ordnance Survey has launched the OS OpenData site to facilitate requirements for the Government's policy to make data public. These developing risks have been included within the Corporate Risk Register.

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 Risk and Assurance function 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 report and other ad hoc reports we commission. I have been advised on the effectiveness of the system of internal control by the Strategy and Operating Boards, OSARC, and the Business Change Board, and agreed 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 the Risk and Assurance function and External 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 Business Change Board, (a sub-committee of Operating Board) who:

- review and challenge the effectiveness of risk management within change projects; and
- receive assurance through a formal programme of assurance reviews for the most critical projects and programmes.

The Audit and Risk Committee (OSARC), who:

- via the Chair confirms that the committee has discharged its responsibilities effectively and in accordance with the terms of reference²;
- advise me and the Strategy Board on issues of risk, control, governance and associated assurance;
- review the work and performance of the Risk and Assurance function and its findings regarding the adequacy of the internal control framework, including appropriateness of management's responses to issues raised; and
- discuss progress reports and the management report from the National Audit Office.

Risk & Assurance Function

The Risk & Assurance function provide a centre of excellence and a cross business assurance service in respect of governance, risk and control. The Risk & Assurance Function integrates four teams:

- a) Internal Audit
- b) Information Assurance and IT Security
- c) Operational Risk
- d) Business Continuity Management

Internal Audit, who:

- operate to Government Internal Audit Standards;
- test the effectiveness, efficiency and appropriateness of the system of internal control;
- 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 OSARC 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.

Information Assurance and IT Security, who:

- design and implement Information Risk management framework and policy to ensure Ordnance Survey complies with legislation as set out in the Cabinet Office Security Policy Framework;
- deliver a programme of Information Risk Assessments, including the Information Assurance Maturity Model, and Information Risk Workshops;
- provide advice to the Strategy Board and Operating Board on information risks and issues;
- provide the Senior Information Risk Officer (SIRO) and Audit and Risk Committee (OSARC) with assurance on the effectiveness of the Information Risk Framework;
- engage strategically across other Government Departments to share examples of best practise in Information Assurance;
- maintain a network of information asset owners and information asset agents aligned with individual business areas;
- execute a program of project assurance reviews which report on aspects of project delivery, including the 'strategic fit' and benefits realisation;
- provide the Director General & Chief Executive Officer with assurance on the effectiveness of Information Risk Management for the annual Statement on Internal Control; and
- provide IT security consultancy, advice, training and assessment services in support of the project developments and operational IS Infrastructure.

Operational Risk, who:

- maintain the risk management framework and policy, including the Risk Improvement programme;
- facilitate the identification and assessment of strategic risk with executive directors;
- maintain the currency of the Corporate Risk Register, and local level risks;
- lead and deliver a programme of risk assessments across the business to evaluate and test the levels of management control;
- provide advice to the Strategy Board and Operating Board on operational risks and issues;
- provide the Chief Risk Officer (CRO) and Audit

² HM Treasury: Audit Committee Handbook, March 2007 requirement.

and Risk Committee (OSARC) with assurance on the effectiveness of the Operational Risk Framework;

- maintain a network of risk champions aligned with individual business areas; and
- provide the Director General & Chief Executive Officer with assurance on the effectiveness of Operational Risk Management for the annual Statement on Internal Control.

Business Continuity Management, who:

- manage, at a corporate level the business continuity strategy;
- coordinate with the risk management function on all aspects of strategic improvement and mitigation of business interruption risks;
- provide an incident management function to lead the coordination of business recovery;
- provide a Mapping For Emergencies service in response to major or civil emergencies; and
- lead and deliver a Business Continuity Improvement Programme, to improve our corporate resilience.

The Senior Information Risk Officer (SIRO), who pays particular attention to Information Risk requirements in respect of Data Handling, Cabinet office – Security Policy Framework and the Information Assurance Maturity Model (IAMM) and confirms that the Annual Information Risk assessment has been satisfactorily completed. The report provides an assessment of current compliance levels and contains a number of actions to improve compliance levels further and decisions for the Board in respect of risk appetite.

The Head of Risk & Assurance, 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 report discussing the findings arising from their review of the annual accounts and reports on other assignments they may carry out from time to time.

The Chair of the Audit Committee, who provides an annual Stewardship Report on the effectiveness of the audit committee in discharging their responsibilities.

6. Management Certification

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.

In accordance with the requirements of NAO Guidance – *'Financial Management and Governance Practice, January 2010'* – I confirm that as Accounting Officer for Ordnance Survey:

- there are no significant internal control issues.



Vanessa V Lawrence CB

Director General and Chief Executive Officer
5 July 2010

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 2010 under the Government Trading Funds Act 1973. These comprise the Consolidated income statement, Consolidated statement of comprehensive income, Trading Fund statement of comprehensive income, Consolidated statement of financial position, Trading Fund statement of financial position, Consolidated statement of charges in equity, the Consolidated statement of cash flows and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of Ordnance Survey, Chief Executive and auditor

As explained more fully in the Statement of the Ordnance Survey's Chief Executive's Responsibilities, the Director General and Chief Executive, as Accounting Officer, is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to Ordnance Survey's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Ordnance Survey; and the overall presentation of the financial statements.

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

Opinion on Regularity

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

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of Ordnance Survey's and the group's affairs as at 31 March 2010 and the group's loss, changes in equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973; and
- the information given in the Business Review, Financial Review and sections entitled 'Business Performance', 'Corporate Responsibility' and 'Our Directors', included in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

Details of my unqualified opinion are set out in my report. I have no further observations to make on these accounts.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
7 July 2010

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.

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

Accounting for geographic data

Background

1. Ordnance Survey is a government department founded in 1791, and is responsible for the official, definitive surveying and topographical mapping of Great Britain. Having become an Executive Agency in 1990, Ordnance Survey acquired Trading Fund status in April 1999 under the provisions of the 1973 Government Trading Funds Act (as amended).
2. I have previously qualified my audit opinion on Ordnance Survey's accounts in each of its eleven years as a Trading Fund due to my disagreement with Ordnance Survey's decision not to capitalise its geographic data ('the data'). The detailed reasons for my disagreement with respect to the accounting treatment of the data were set out in my report on the 1999–2000 accounts (HC 26, 2000–01), which I updated in further reports on the 2001–02, 2004–05 and 2007–08 accounts (HC892, 2001–02, HC 84, 2004–05 and HC 751, 2007–08 respectively).
3. The purpose of this report is to explain why I have issued an unqualified audit opinion on the accounts of Ordnance Survey for 2009–10.

Removal of qualification for 2009–10

4. Prior to 2009–10, Ordnance Survey did not attach any value in the Balance Sheet to the data nor to the costs of maintaining and updating the data. Ordnance Survey considered that the data was an internally generated fixed asset, which should be capitalised only where there is a readily ascertainable market value evidenced by an active market in similar assets, as required under Financial Reporting Standard 10 Goodwill and Intangible Assets. As the data is unique, Ordnance Survey's view was that no value could or should be attached to it in the financial statements. My decision to qualify Ordnance Survey's accounts in 1999–2000 and subsequent years reflected my opinion that under the provisions of Financial Reporting Standard 15, the data would be more appropriately

accounted for as a tangible fixed asset and should be capitalised.

5. The 2008 Budget announced that, from 2009–10, the accounts of central government departments and entities in the wider public sector would be produced using international financial reporting standards (IFRS), as interpreted for the public sector by the Treasury in an IFRS-based International Financial Reporting Manual (iFRM).
6. In applying International Accounting Standard (IAS) 38 Intangible Assets, Ordnance Survey has capitalised all development expenditure, including data related costs, that meet the criteria set out in IAS 38 Intangible Assets, and has included these costs on its balance sheet as an intangible asset.
7. As a result, Ordnance Survey capitalised data related costs, with a total net book value of £16.5 million on transition to IFRS as at 1 April 2009 (under IFRS the comparative figure as at 31 March 2008 was £17.7 million). During 2009–10, Ordnance Survey capitalised further development costs of £9.4 million and charged amortisation of £4.6 million. The total net book value of all Ordnance Survey's intangible assets was £63.3 million as at 31 March 2010.

Conclusion

8. Ordnance Survey has now implemented International financial Reporting Standards in its 2009–10 accounts. This has included amending its accounting policies to reflect new criteria for asset recognition and capitalising the elements of the data that meet the criteria set out in IAS 38. As a result I have removed the qualification of my audit opinion for 2009–10.

Amyas C E Morse
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
7 July 2010

Consolidated income statement

For year ended 31 March 2010

	Notes	31 March 2010 £'000	31 March 2009 £'000 As restated
Revenue	2	114 340	117 198
Operating costs	3	(116 222)	(101 779)
Other gains and losses	10	–	(4 325)
Share of results of joint venture	11	143	(125)
Other operating (costs)/income	24	(19)	15
Operating (loss)/profit		(1 758)	10 984
Analysed as:			
Profit on ordinary activities before exceptional items		16 650	16 245
Exceptional items	35	(18 408)	(5 261)
Operating (loss)/profit		(1 758)	10 984
Finance income	5	153	1 962
Finance cost	5	(1 069)	(905)
(Loss)/profit on ordinary activities for the year		(2 674)	12 041
Dividends payable	7	(5 771)	(4 832)
(Loss)/profit retained for the year		(8 445)	7 209
Attributable to Public Dividend Capital Equity holders		(8 445)	7 209

All the activities of the group are classified as continuing.

The notes on pages 67 to 96 are an integral part of these financial statements.

Consolidated statement of comprehensive income

For year ended 31 March 2010

	Notes	31 March 2010 £'000	31 March 2009 £'000 As restated
(Loss)/profit for the year		(8 445)	7 209
Losses on revaluation of non-current assets	21	(1)	(5 405)
Total comprehensive (loss)/income for the year		(8 446)	1 804
Attributable to Public Dividend Capital Equity Holders		(8 446)	1 804

Trading Fund statement of comprehensive income

For year ended 31 March 2010

	Notes	31 March 2010 £'000	31 March 2009 £'000 As restated
(Loss)/profit for the year		(7 633)	7 209
Losses on revaluation of non-current assets	21	(1)	(5 405)
Total comprehensive (loss)/income for the year		(7 634)	1 804
Attributable to Public Dividend Capital Equity Holders		(7 634)	1 804

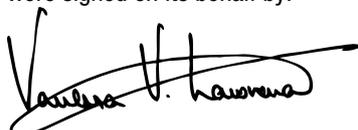
The notes on pages 67 to 96 are an integral part of these financial statements.

Consolidated statement of financial position

As at 31 March 2010

	Notes	31 March 2010 £'000	31 March 2009 £'000 As restated	31 March 2008 £'000 As restated
Non-current assets				
Intangible assets	8	63 280	58 601	51 970
Property, plant and equipment	9	57 224	30 874	24 754
Investment property	10	4 195	4 195	8 520
Share of net assets in joint venture	11	123	–	105
		124 822	93 670	85 349
Current assets				
Inventories	12	2 032	1 569	1 889
Trade and other receivables	13	17 079	19 879	17 150
Cash and cash equivalents	27	10 500	18 337	27 364
		29 611	39 785	46 403
Total assets		154 433	133 455	131 752
Current liabilities				
Trade and other payables	14	(45 776)	(17 951)	(16 882)
Provisions for liabilities and charges	17	(3 127)	(2 591)	(3 034)
Deferred revenue	15	(8 727)	(8 049)	(6 735)
		(57 630)	(28 591)	(26 651)
Net current (liabilities)/assets		(28 019)	11 194	19 752
Non-current assets (less)/plus net current (liabilities)/assets		96 803	104 864	105 101
Non-current liabilities				
Provisions	17	(7 939)	(4 486)	(6 265)
Trade and other payables	16	(59)	(99)	(139)
Loans repayable after one year	18	(3 000)	(6 000)	(6 214)
Deferred revenue	15	(97)	(125)	(133)
		(68 725)	(39 301)	(39 402)
Total liabilities		(68 725)	(39 301)	(39 402)
Net assets		85 708	94 154	92 350
Equity				
Public dividend capital	19	14 000	14 000	14 000
Revaluation reserves	21	6 696	6 697	12 184
Retained earnings	22	65 012	73 457	66 166
Total equity attributable to Public Dividend Capital Equity Holders		85 708	94 154	92 350

The financial statements were approved by the Board of Directors and authorised for issue on 5 July 2010. They were signed on its behalf by:



Vanessa V Lawrence CB

Director General and Chief Executive and Agency Accounting Officer

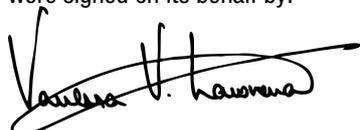
The notes on pages 67 to 96 are an integral part of these financial statements.

Trading Fund statement of financial position

As at 31 March 2010

	Notes	31 March 2010 £'000	31 March 2009 £'000 As restated	31 March 2008 £'000 As restated
Non-current assets				
Intangible assets	8	63 280	58 601	51 970
Property, plant and equipment	9	57 224	30 874	24 754
Investment property	10	4 195	4 195	8 520
Share of net assets in joint venture	11	123	–	105
		124 822	93 670	85 349
Current assets				
Inventories	12	2 032	1 569	1 889
Trade and other receivables	13	17 615	19 879	17 150
Cash and cash equivalents	27	10 499	18 337	27 364
		30 146	39 785	46 403
Total assets		154 968	133 455	131 752
Current liabilities				
Trade and other payables	14	(45 499)	(17 951)	(16 882)
Provisions for liabilities and charges	17	(3 127)	(2 591)	(3 034)
Deferred revenue	15	(8 727)	(8 049)	(6 735)
		(57 353)	(28 591)	(26 651)
Net current (liabilities)/assets		(27 207)	11 194	19 752
Non-current assets (less)/plus current (liabilities)/assets		97 615	104 864	105 101
Non-current liabilities				
Provisions	17	(7 939)	(4 486)	(6 265)
Trade and other payables	16	(59)	(99)	(139)
Loans repayable after one year	18	(3 000)	(6 000)	(6 214)
Deferred revenue	15	(97)	(125)	(133)
		(68 448)	(39 301)	(39 402)
Total liabilities		(68 448)	(39 301)	(39 402)
Net assets		86 520	94 154	92 350
Equity				
Public dividend capital	19	14 000	14 000	14 000
Revaluation reserves	21	6 696	6 697	12 184
Retained earnings	22	65 824	73 457	66 166
Total equity attributable to Public Dividend Capital Equity Holders		86 520	94 154	92 350

The financial statements were approved by the Board of Directors and authorised for issue on 5 July 2010. They were signed on its behalf by:



Vanessa V Lawrence CB

Director General and Chief Executive and Agency Accounting Officer

The notes on pages 67 to 96 are an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 March 2010

	Public Dividend Capital £'000	Retained Earnings £'000	Revaluation Reserve £'000	Total £'000
As at 1 April 2008	14 000	43 645	18 065	75 710
Effect of IAS 19 – Employee benefits	–	(1 100)	–	(1 100)
Effect of IAS 17 – Leases	–	–	–	–
Effect of IAS 23 – Borrowing costs	–	–	–	–
Effect of IAS 40 – Investment properties	–	7 674	(7 674)	–
Effect of IAS 38 – Intangible assets	–	15 947	1 793	17 740
As restated as at 1 April 2008	14 000	66 166	12 184	92 350
Profit for year	–	12 041	–	12 041
Revaluation losses for year	–	–	(5 405)	(5 405)
Net valuation gains realised on disposal	–	82	(82)	–
Total Comprehensive Income attributable to Public Dividend Capital Holders	–	12 123	(5 487)	6 636
Dividends payable	–	(4 832)	–	(4 832)
Balance at 31 March 2009	14 000	73 457	6 697	94 154
Loss for year	–	(2 674)	–	(2 674)
Revaluation losses for year	–	–	(1)	(1)
Total Comprehensive Income attributable to Public Dividend Capital Holders	–	(2 674)	(1)	(2 675)
Dividends payable	–	(5 771)	–	(5 771)
At 31 March 2010	14 000	65 012	6 696	85 708

The notes on pages 67 to 96 are an integral part of these financial statements.

Trading Fund statement of changes in equity

For the year ended 31 March 2010

	Public Dividend Capital £'000	Retained Earnings £'000	Revaluation Reserve £'000	Total £'000
As at 1 April 2008	14 000	43 645	18 065	75 710
Effect of IAS 19 – Employee benefits	–	(1 100)	–	(1 100)
Effect of IAS 17 – Leases	–	–	–	–
Effect of IAS 23 – Borrowing costs	–	–	–	–
Effect of IAS 40 – Investment properties	–	7 674	(7 674)	–
Effect of IAS 38 Intangible assets	–	15 947	1 793	17 740
As restated as at 1 April 2008	14 000	66 166	12 184	92 350
Profit for year	–	12 041	–	12 041
Revaluation losses for year	–	–	(5 405)	(5 405)
Net valuation gains realised on disposal	–	82	(82)	–
Total comprehensive income attributable to Public Dividend Capital Holders	–	12 123	(5 487)	(6 636)
Payment of dividends	–	(4 832)	–	(4 832)
Balance at 31 March 2009	14 000	73 457	6 697	94 154
Loss for the year	–	(1 862)	–	(1 862)
Revaluation losses for year	–	–	(1)	(1)
Total comprehensive income attributable to Public Dividend Capital Holders	–	(1 862)	(1)	(1 863)
Payment of dividends	–	(5 771)	–	(5 771)
At 31 March 2010	14 000	65 824	6 696	86 520

The notes on pages 67 to 96 are an integral part of these financial statements.

Consolidated cash flow statement

For the year ended 31 March 2010

		31 March 2010 £'000	31 March 2009 £'000 As restated
Cash inflow from operating activities	26	12 717	16 331
Cash flows from investing activities			
Interest received		153	1 962
Interest paid		(291)	(244)
Purchase of plant, property and equipment		(5 251)	(18 797)
Purchase of intangible assets		(9 357)	(3 516)
Proceeds from disposal of plant, property and equipment		16	23
Net cash used in investing activities		(14 730)	(20 572)
Cash flows from financing activities			
Equity dividends paid		(4 832)	(3 713)
Repayment of loans from the National Loans Fund		(214)	(481)
Unwinding of early release cost discounts		(778)	(592)
Net cash used in financing activities		(5 824)	(4 786)
Net decrease in cash and cash equivalents		(7 837)	(9 027)
Cash and cash equivalents at beginning of year		18 337	27 364
Cash and cash equivalents at end of year	27	10 500	18 337

The notes on pages 67 to 96 are an integral part of these financial statements.

Trading Fund cash flow statement

For the year ended 31 March 2010

		31 March 2010 £'000	31 March 2009 £'000 As restated
Cash inflow from operating activities	26	12 716	16 331
Cash flows from investing activities			
Interest received		153	1 962
Interest paid		(291)	(244)
Purchase of plant, property and equipment		(5 251)	(18 797)
Purchase of intangible assets		(9 357)	(3 516)
Proceeds from disposal of plant, property and equipment		16	23
Net cash used in investing activities		(14 730)	(20 572)
Cash flows from financing activities			
Equity dividends paid		(4 832)	(3 713)
Repayment of loans from the National Loans Fund		(214)	(481)
Unwinding of early release cost discounts		(778)	(592)
Net cash used in financing activities		(5 824)	(4 786)
Net decrease in cash and cash equivalents		(7 838)	(9 027)
Cash and cash equivalents at beginning of year		18 337	27 364
Cash and cash equivalents at end of year	27	10 499	18 337

The notes on pages 67 to 96 are an integral part of these financial statements.

1 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with the 2009–10 Government International Financial Reporting Manual (FReM). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Ordnance Survey for the purpose of giving a true and fair view has been selected.

These accounts are the first to be prepared under IFRS and details of the reconciliations to the latest UK GAAP accounts, as required by IFRS 1, can be found in Note 38.

These accounts have been prepared under the historic cost convention, modified to account for the revaluation of property, plant and equipment and intangible assets.

These accounts have been prepared on the going concern basis. After appropriate consideration of factors that may influence Ordnance Survey within the next 12 months, the Directors believe that this basis of preparation remains appropriate.

1.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of Ordnance Survey and entities controlled by Ordnance Survey. Control is achieved where Ordnance Survey has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their

accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenditure are eliminated in full on consolidation.

1.3 Property, plant and equipment

Land and buildings comprise Ordnance Survey's current head office in Southampton, as well as land purchased for the construction of the new head office and amounts payable to the contractors in relation to the build. Land and buildings are subject to a policy of annual revaluation and are carried at fair value.

The occupied land and buildings office premises are revalued by an external qualified valuer on an existing use basis (EUV) as a proxy to the fair value of the property. The revaluation, where materially different from that at which land and buildings are already carried, is used to determine carrying value.

Depreciation is charged on the building on a straight-line basis over the useful economic life and is calculated with reference to the EUV.

Details of the values included in these financial statements are contained in Note 9.

The minimum level for capitalisation as property, plant and equipment is £5 000, with the exception of Information Technology (IT) and support systems hardware, which is normally £1 000. All IT workstations (office computers and laptops) are grouped as one asset.

The value of property, plant and equipment, other than land and buildings, is restated annually to fair value, using appropriate indices published by the Office for National Statistics.

Subsequent costs are attached to the asset's carrying value, or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item of expenditure will flow to the group, and that the cost of the item can be reliably measured. The carrying

amount of any replaced item is derecognised. All other repairs and maintenance to tangible fixed assets are charged to the income statement in the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation are credited to the revaluation reserve within shareholders equity. Decreases that offset previous increases relating to the same asset are charged against this revaluation reserve directly within equity. Any other decrease in value of the asset is charged to the income statement.

For buildings, the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to the general reserve.

For other property, plant and equipment, a transfer occurs between the revaluation reserve and the general reserve upon disposal of the asset, therefore removing any remaining revaluation balance for that asset.

The depreciation policy applied to property, plant and equipment details the following useful lives to be applied to tangible fixed assets:

Freehold buildings	45 years from original acquisition or remaining useful economic life
Machinery, equipment and fixtures	5 to 15 years
Computers and IT equipment	2 to 5 years
Vehicles	4 years
Freehold land	not depreciated

Assets in course of construction are capitalised at cost and carried at cost less any recognised impairment loss. Cost includes all directly attributable costs, including professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

1.4 Investment property

Freehold property held surplus to operational requirements is carried on a fair value basis. An annual valuation is performed by an external qualified valuer at the date of the statement of financial position. Any movement in the fair value

of an investment property is shown in the income statement. No depreciation is charged on investment property.

Details of investment property balances are included in Note 10 and rental income is shown in Note 2.1. Operating costs in relation to the investment property are shown in Note 2.1.

1.5 Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Internally generated tangible assets are capitalised if an asset has been created which can be identified; it is probable that the asset will give rise to future economic benefit, and that the original cost can be reliably measured.

These assets are capitalised at the cost of development and subsequently revalued to depreciated replacement cost using appropriate indices.

Amortisation is charged on a straight-line basis in order to write down the asset over its useful life. Intangible assets are tested for impairment annually. Useful lives are also reviewed on an annual basis, and adjustments, where applicable, are made on a prospective basis. The useful lives of intangible assets are expected to fall within the following limits:

Geographic data	5 to 10 years
Data management delivery and business systems	5 to 10 years
Websites	3 to 5 years
Assets in course of construction	not amortised

Ordnance Survey's internally generated intangible assets consist of:

a) *Geographic data*

Geographic data represents the core datasets from which the business provides its products and services.

b) *Data management delivery and business systems*

The costs of data management delivery and business systems include all directly attributable costs, including the cost of purchased computer software licences used to develop the systems.

c) Website costs

Costs incurred due to the application and infrastructure development of a website are recognised as an intangible asset to the extent that the website will generate future economic benefits. Planning costs are expensed as incurred. Further expenditure to maintain or enhance the website after development has been completed is recognised as an expense.

d) Assets under construction

Assets under construction are capitalised at cost. Amortisation of these assets commences when the assets are ready for their intended use.

1.6 Inventory and work in progress

Inventory and work in progress are stated at the lower of cost and net realisable value.

Cost comprises design costs, direct materials, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business less applicable variable selling expenses.

1.7 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less a provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the debt will not be recoverable according to the original terms of the receivables.

The amount of the impairment provision will be based on the difference between the asset's receivable amount and the present value of future estimated cash flows. Any impairment is recognised in the income statement.

1.8 Joint ventures

Joint ventures are entities over which Ordnance Survey has joint control with one or more other entities.

Ordnance Survey accounts for investments in joint ventures using the equity method of accounting, recording the investment initially at cost.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash at bank, cash in hand and any amounts on short-term deposits, typically less than six months.

1.10 Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost, adjusted for fair value movements.

1.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost, adjusted for fair value movements.

Any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings.

Borrowings are recognised as current liabilities unless there exists an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs on qualifying assets are capitalised as part of the cost of the asset.

1.12 Provisions

Provisions are recognised when the business has a present obligation as a result of a past event, and it is probable that the business will be required to settle that obligation.

Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value, where material.

1.13 Employee benefits

a) Pensions

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS); details are outlined in Note 4 of the pension schemes of which Ordnance Survey staff are members.

All new employees who joined Ordnance Survey on or after 30 July 2007 may choose between membership of the Nuvos scheme and a partnership pension account.

Prior to 1 October 2002 Ordnance Survey staff could have joined one of three statutory-based final salary defined benefit schemes (classic, premium and classic plus). New entrants after 1 October 2002 chose between membership of the premium scheme and joining a defined contribution scheme with a significant employer contribution (partnership pension account). These schemes were closed to new entrants on 29 July 2007.

All employer pension contributions payable are charged to the Operating Account for the financial year as incurred, on the basis that the schemes are multi-employer and Ordnance Survey is unable to identify its share of the underlying assets and liabilities.

b) Early release costs

A provision is recognised in the financial year for the full cost of the pension contributions of employees who are identified at the discretion of Ordnance Survey and agree to take early retirement under restructuring arrangements before the balance sheet date (excluding actuarially reduced retirement and medical retirement) until they reach normal pensionable age.

The full cost of funding early leavers prior to 31 March 2009 has 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. 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).

The requirement of IAS 37 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.

1.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the delivery of mapping goods and services, which comprises mapping data, information, customer-tailored services and copyright revenue, in the ordinary course of business. Revenue is shown net of Value Added Tax and discounts.

Ordnance Survey recognises revenue once the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and when specific other criteria are met for each of the activities shown below.

Direct Licences – Licences that allow the customer to use Ordnance Survey data for internal purposes only. The revenue deriving from these licences is recognised over the length of the licence agreement (usually 12 months) as this reflects the usage of the data by the customer and Ordnance Survey's commitment to provide updates.

Partner Licences – Licences that enable the customer to add value to Ordnance Survey data and resell the product to third parties. Revenue from royalty fees is recognised when Ordnance Survey becomes entitled to receive a royalty from an onward sale of Ordnance Survey data.

Paper maps – Revenue from paper map sales is recognised when the risks and rewards of ownership pass to the customer.

Services – Revenue from services is recognised at the point at which the service is performed by Ordnance Survey.

Rental – Rental income is recognised on a monthly basis: any revenues received in advance or arrears are deferred or accrued, as appropriate.

Unpaid invoices for licence fees which relate to periods after the balance sheet date are included in the trade receivables balance. The net invoiced value relating to revenue to be recognised in the period after the balance sheet date is recorded in creditors as deferred income.

1.15 Investment income

Interest income is accrued on a time basis by reference to the amount outstanding and at the effective interest rate applicable.

1.16 Leases

a) Operating leases

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the length of the lease.

b) Finance leases

Leases are classified as finance leases when the terms of the lease transfer substantially all risks and rewards of ownership to Ordnance Survey. Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased item and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

1.17 Taxation

As a Trading Fund, Ordnance Survey is not liable to Corporation Tax. Subsidiary companies may be liable for Corporation tax.

a) Current taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss account because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

b) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1.18 Segmental reporting

An operating segment is a component of that entity:

- a) that engages in business activities from which it may earn revenues and incur expenses;
- b) whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- c) for which discrete financial information is available.

Ordnance Survey reports its results as a whole entity, as it does not have separate identifiable reporting segments as defined by the FReM.

1.19 Foreign currency transactions

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling at the dates of the transactions. Exchange rate differences are charged to the Income Statement as incurred. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date.

1.20 Financial instruments

Ordnance Survey has classified its financial instruments as follows:

Financial assets

- Fixed deposits, including funds held with banks, trade receivables/payables and borrowings are classified as loans and receivables.
- Investments (other than joint ventures) and short-term deposits are classified as available for sale.

Receivables are initially recognised at fair value on the trade date, and subsequently adjusted for doubtful debts. These are included within current assets, unless expected maturity is greater than 12 months after the balance sheet date.

Assets classified as available for sale financial assets are initially measured at fair value plus any transaction costs. They are subsequently measured at fair value. Unrealised gains and losses arising from changes in fair value are recognised in the Statement of Comprehensive Income.

Financial liabilities

- Trade payables and borrowings are classified as loans and payables.

Loans are initially recognised at fair value on the trade date, and subsequently measured at amortised cost using the effective interest method. These are included within current liabilities unless expected maturity is greater than 12 months from the balance sheet date.

1.21 Critical accounting estimates and judgements

In applying the group's accounting policies set out above, management is required to make certain estimates and judgements concerning the future. These estimates and judgements are regularly reviewed and updated as necessary. The estimates and judgements that have the most significant effect on the amount included in these financial statements are as follows:

Development costs – Ordnance Survey capitalises development costs when the project meets certain criteria. Costs are only capitalised if they can be reliably measured and the project has been approved by the Investment Group within Ordnance Survey. Prior to this approval all project costs are expensed.

Revenue recognition – Ordnance Survey recognises royalty revenue based on returns from partners. These returns are provided on a timely basis, usually quarterly.

Impairment of assets – Property, plant and equipment, and intangible assets are considered for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and, where it is a component of a larger economic unit, the viability of that unit.

Future cash flows expected to be generated by the assets are projected, taking into account market conditions and expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to current value.

Doubtful accounts – Doubtful accounts are reported at the amounts likely to be recovered based on historic experience of customer default. As soon as it is learned that a particular account is subject to risk over and above the normal credit

risk, the account is analysed and written down if circumstances indicate that the receivable is uncollectable in full.

1.22 Exceptional Items

In accordance with the basis of preparation, Ordnance Survey separately presents exceptional items to allow a better understanding of the financial information presented and specifically Ordnance Survey's underlying business performance.

Those items that Ordnance Survey present separately as exceptional items are those which, in the judgement of the directors, need to be disclosed separately by virtue of their size or incidence in order to obtain a full understanding of the financial information.

1.23 Investment policy

Investments held as fixed assets are stated at cost less provision for permanent diminution in value.

1.24 Adoption of new and revised standards

The group has adopted IFRS for the first time in these financial statements, as adapted for the public sector context under the Government FRM. IFRS accounting policies have been adopted in full and comparatives restated, as described in Note 38.

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 1 (amended)/IAS 27 (amended)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 3 (revised 2008) IAS 27 (revised 2008)	Business Combinations Consolidated and Separate Financial Statements
IAS 28 (revised 2008) IFRIC 17	Investments in Associates Distributions of Non-cash Assets to Owners
Improvements to IFRSs (April 2009)	

The Directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group and Trading Fund.

2. Revenue

Under IFRS 8 Ordnance Survey is assessed as having one operating segment; the additional information given below is that received by management as explained in Note 1.18.

	2009–10 £'000	2008–09 £'000 As restated
Trading revenue	112 504	116 057
Other operating activities	1 159	496
Property rental income	677	645
	114 340	117 198
	2009–10 £'000	2008–09 £'000 As restated
Trading revenue by channel		
Direct licences	71 889	73 257
Partner licences	26 275	29 100
Paper maps	9 967	8 900
Services	4 373	4 800
	112 504	116 057
	2009–10 £'000	2008–09 £'000 As restated
Trading revenue by sector		
Public sector & utilities	73 845	74 640
Commercial markets	21 027	23 236
Consumer sales	17 632	18 181
	112 504	116 057
	2009–10 £'000	2008–09 £'000 As restated
Trading revenue by geographic market		
United Kingdom	103 944	106 460
Other European Countries	6 948	8 072
Rest of the World	1 612	1 525
	112 504	116 057

Revenues are attributed by country based on the location of the entity to whom Ordnance Survey provides the product or service. No details are available of the location of the ultimate end-user.

No one customer accounts for more than 10% of revenues in either the current or preceding year.

Costs are not analysed between channel and sector as Ordnance Survey does not match its costs to any specific revenue classification. The Board of Directors routinely receives a breakdown of revenue as shown above, and an analysis of costs on a different basis, detailed in Note 3. Accordingly, the profitability of the revenue channels and sectors is not analysed.

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

The assets and liabilities of each segment cannot be identified due to the reporting structures within Ordnance Survey. In total these represent the assets and liabilities of the group.

2.1 Income from investment property

Details of the investment property are included in Notes 1.4 and 10. Rent received in 2009–10 totalled £677 000 (2008–09: £645 000). 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. All costs for the property are incurred by the tenants and Ordnance Survey incurs no direct operating expense in relation to this rental income.

A vacant area of the investment property incurred direct operating costs of £44 000 (2008–09: £84 000) during the course of the year.

The minimum future rentals to be received in respect of the investment property are £338 000.

3. Operating (loss)/profit

Operating (loss)/profit for the year has been arrived after charging:	Note	2009–10 £'000	2008–09 £'000 As restated
Staff costs	4	73 439	63 081
Amortisation and revaluation of intangible assets	8	4 619	4 781
Impairment of intangible assets	8	–	170
Depreciation of tangible fixed assets	9	3 155	3 039
Research and development		336	540
Other operating charges		34 673	30 168

Within other operating charges are the following:

	2009–10 £'000	2008–09 £'000 As restated
Operating lease charges – buildings	331	367
Operating lease charges – plant, machinery and equipment	1 999	1 148
Fees payable to auditors for the audit of the statutory annual accounts	80	70
Fees payable to auditors for other services	20	28

4. Staff numbers and costs

Total staff costs

The aggregate payroll costs were as follows:

	2009–10 £'000	2008–09 £'000 As restated
Wages and salaries – permanent employees	41 601	41 794
Social Security costs	3 184	3 538
Pension costs	7 597	8 110
Additional early release costs in year – exceptional item	18 295	936
Temporary staff costs	9 286	12 951
	79 963	67 329
Capitalised permanent staff costs	(2 180)	(1 402)
Capitalised temporary staff costs	(4 344)	(2 846)
	73 439	63 081

Details of Directors' remuneration can be found in the Directors remuneration report on page 48.

Total permanent staff numbers, including Directors

The average monthly number of full-time equivalent staff, all classified as Civil Service staff, employed by the group during the year was as follows:

	2009–10	2008–09 As restated
Operations	958	1 012
Sales and Marketing	155	174
Corporate Services	179	186
	1 292	1 372
Capitalised permanent labour costs	(48)	(32)
	1 244	1 340

Total temporary staff

The average monthly number of full-time equivalent temporary staff employed by the group during the year was as follows:

	2009–10	2008–09 As restated
Operations	143	225
Sales and Marketing	4	3
Corporate Services	7	9
	<hr/>	<hr/>
	154	237
Capitalised temporary staff costs	(45)	(30)
	<hr/>	<hr/>
	109	207

Employee benefits

IAS 19 states that a liability exists where an employee has provided services in exchange for employee benefits to be paid in the future, and an expense should be recognised when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

This results in the need to provide for holiday pay that had been accrued but had not yet been taken as at the year end.

Ordnance Survey's holiday year runs from April to March and the payroll records were reviewed to ascertain the amount of holiday accrued but not yet taken as at 31 March 2010.

The figure above for wages and salaries includes the amount of £737 000 (2008–09: £1 207 000) which is the provision for holiday pay as at 31 March 2010. An equal amount has been included within trade and other payables and is detailed within Note 14 of these financial statements.

Pension costs

For 2009–10 employer's contributions of £7 597 000 (2008–09: £8 110 000) were payable to the PCSPS at one of four rates in the range 17.1% to 29.0% of pensionable pay, based on salary bands. The Scheme Actuary reviews employers' contributions every four years following a full scheme valuation. The contribution rates are set to meet the costs of the benefits accruing during 2009–10 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

In 2009–10 there were 0 (2008–09: 1) retirements on ill-health grounds, amounting to an additional accrued pension liability in the year of nil.

The PCSPS is an unfunded multi-employer defined benefit scheme, but Ordnance Survey is unable to identify its share of the underlying assets and liabilities due to pooling of the assets and liabilities being paid out of this pool. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk). No information is available regarding the overall surplus, or deficit, of the scheme.

Ordnance Survey staff are members of the following schemes:

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 zero 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 (RPI).

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.

Ordnance Survey had six (2008–09: eight) members of the Partnership Pension Account. 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 (2008–09: £4 500).

Nuvos

This is a defined benefit scheme where benefits accrue on an annual basis throughout the career and are increased in line with the RPI. The benefits are payable from age 65. Contributions due to the pension provider at the balance sheet date were £nil (2008–09: £nil).

Early release costs provided for in financial year

The Income Statement includes a charge of £18 408 000 (2008–09: £936 000) in respect of early leavers identified in 2009–10 (see Note 35). This charge to the Income Statement reflects the costs of leavers identified and confirmed by 31 March 2010, relating to the period up to their normal retirement age of £18 295 000 and other direct costs of £113 000.

5. Interest

	2009–10 £'000	2008–09 £'000 As restated
Interest income		
Balances at the account with HM Paymaster	18	123
Short-term deposits with the National Loans Fund	135	1 839
	153	1 962
Interest cost		
On deemed loans	(290)	(312)
Financing charges – unwind of provision discount	(778)	(592)
Interest on finance lease	(1)	(1)
	(1 069)	(905)

6. Taxation

No charge to Corporation Tax has arisen in the year.

Ordnance Survey

As a Trading Fund, Ordnance Survey is outside the scope of UK Corporation Tax.

Ordnance Survey Limited

Ordnance Survey Limited generated a loss before tax of £812 000 in the year. On this loss, no amounts are due in respect of Corporation Tax. The company has estimated tax losses of £812 000 available to carry forward against future profits of the same trade. No deferred taxation asset has been recognised due to uncertainty over the timing of taxable profits.

7. Dividends

Amounts recognised as distributions to Public Dividend Capital Equity Holders in the year:

	2009–10 £'000	2008–09 £'000 As restated
Final dividend for the year ended 31 March 2010	5 771	4 832
	5 771	4 832

The current Framework document determines that Ordnance Survey should calculate its net operating surplus for the year after application of interest charges and pay dividends on Public Dividend Capital in proportions to be agreed by the responsible Minister.

£4 832 000 was paid in 2009–10 in respect to the results for 2008–09. The amount payable for 2009–10 is £5 771 000 and the provision is included in these accounts as it represents a liability at the date of the statement of financial position (see Note 14). Dividends are declared and recognised in the financial year to which they relate.

8. Intangible assets

Group and Trading Fund	Geographic data £'000	Data delivery/ Business systems £'000	Websites £'000	Assets under construction £'000	Total £'000
Cost or valuation					
At 1 April 2008 as restated	20 525	16 143	1 098	33 016	70 782
Additions	–	148	–	11 435	11 583
Revaluation	(90)	90	(1)	–	(1)
Reclassification	227	1 265	–	(1 492)	–
Impairment	–	(170)	–	–	(170)
At 31 March 2009	20 662	17 476	1 097	42 959	82 194
Additions	–	–	–	9 357	9 357
Revaluation	(31)	(21)	(7)	–	(59)
Reclassification	241	2 384	1 495	(4 120)	–
At 31 March 2010	20 872	19 839	2 585	48 196	91 492
Amortisation					
At 1 April 2008 as restated	9 878	8 638	296	–	18 812
Charge	1 922	2 225	628	–	4 775
Revaluation	–	6	–	–	6
At 31 March 2009	11 800	10 869	924	–	23 593
Charge	1 977	2 331	311	–	4 619
At 31 March 2010	13 777	13 200	1 235	–	28 212
Net Book Value at 31 March 2010	7 095	6 639	1 350	48 196	63 280
Net Book Value at 31 March 2009	8 862	6 607	173	42 959	58 601

Assets under construction

	2009–10 £'000	2008–09 £'000 As restated
Assets under construction	48 196	42 959

Assets under construction primarily consist of a new data management programme that will allow Ordnance Survey to update, maintain and manage data in a seamless manner. This has a net book value of £46 898 000 (2008–09: £39 711 000). Once operational, this asset will be amortised over 12 years.

See Note 29 for details of capital commitments.

Revaluations took place as at the 31 March 2010.

Impairment

Included within the additions of data delivery and business systems for the year ended 31 March 2009 is the development of a customer database tool. This system replaced an existing customer database system, which was regarded as obsolete by the business. Accordingly, the former system has been impaired to £nil. The Net Book Value of the old system was £170 000 and included £14 000 of previous revaluation surpluses. Accordingly, the impairment taken to the income statement amounts to £156 000, whilst £14 000 has been offset against the revaluation reserves within equity.

No evidence exists to suggest any further impairment is required.

9. Property, plant and equipment

Group and Trading Fund	Freehold land & buildings £'000	Equipment, facilities & fixtures £'000	Vehicles £'000	Assets under construction £'000	Total £'000
Cost or valuation					
At 1 April 2008 as restated	19 160	36 736	185	–	56 081
Additions	6 738	2 927	–	4 894	14 559
Disposals	–	(1 737)	(76)	–	(1 813)
Revaluation	(5 722)	332	–	–	(5 390)
At 31 March 2009	20 176	38 258	109	4 894	63 437
Additions	–	4 032	–	25 450	29 482
Disposals	–	(2 214)	(50)	–	(2 264)
Revaluation	–	58	–	–	58
Reclassifications	–	848	–	(848)	–
At 31 March 2010	20 176	40 982	59	29 496	90 713
Depreciation					
At 1 April 2008 as restated	1 351	29 796	182	–	31 329
Charged	437	2 407	3	–	2 847
Disposals	–	(1 729)	(76)	–	(1 805)
Revaluation	–	192	–	–	192
At 31 March 2009	1 788	30 666	109	–	32 563
Charged	317	2 838	–	–	3 155
Disposals	–	(2 179)	(50)	–	(2 229)
At 31 March 2010	2 105	31 325	59	–	33 489
Net Book Value at 31 March 2010	18 071	9 657	–	29 496	57 224
Net Book Value at 31 March 2009	18 388	7 592	–	4 894	30 874

As at 31 March 2010 the net book value of assets held under finance lease agreements was £82 000 (2008–09: £138 000), depreciation charged in the year on assets held under finance lease agreements was £56 000 (2008–09: £100 000).

Financing costs of £409 000 (2008–09: £211 000) have been capitalised within assets under construction in accordance with IAS 23; the capitalisation rate used is 1.5% above the official Bank of England base rate.

Fixed assets are carried at valuation, representing fair value using indices which approximate to a depreciated replacement cost.

Revaluations took place as at 31 March 2010.

Assets under construction

Assets under construction included within tangible assets relate to the construction of new premises.

	2009–10 £'000	2008–09 £'000 As restated
Assets under construction	29 496	4 894

See Note 29 for details of capital commitments.

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 occupied land and buildings used in the principal business of Ordnance Survey are carried at the fair

value of £11 332 000 (2009: £11 650 000), based on the Depreciated Existing Use Value (EUV) assessed by King Sturge® LLP on 31 March 2010. This valuation is based on the continued use of the land and buildings in the core Ordnance Survey business and does not take into account any future cash flows to Ordnance Survey as a result of the contracted ultimate disposal. The valuer has recognised and relevant professional qualifications, together with experience in the locality of the valued premises.

During the financial year 2006–07 a contract was signed with Kier Property Development Limited to legally dispose of the occupied land and buildings, conditionally on planning permission being granted for development of new headquarters offices at Adanac Park. Planning permission for the new building was obtained during 2008–09 and construction commenced during financial year 2008–09. New build costs incurred to date are included within assets under construction. Therefore the contract to dispose of the existing freehold land and buildings was approved during the previous financial year.

This legally binding commitment with Kier Property Development Limited means that Ordnance Survey will dispose of the freehold land and buildings in 2010, subject to satisfactory completion of the new head office, with the final proceeds being dependent on the planning permission granted. The contracted price based on projected planning permission is £15 700 000 net of selling costs. It is therefore the opinion of the Directors that the value of the freehold land and buildings to Ordnance Survey is significantly higher than the EUV.

10. Investment properties

Group and Trading Fund

Investment property	2009–10 £'000	2008–09 £'000 As restated	2007–08 £'000 As restated
Balance at start of year	4 195	8 520	8 660
Increase/(Decrease) in fair value during financial year	–	(4 325)	(140)
Balance at end of year	4 195	4 195	8 520

An external independent valuation was performed by King Sturge LLP at 31 March 2010. The basis of the valuation is open market value as required by IAS 40 and the amount of the valuation is £4 195 000 (2008–09: £4 195 000). The valuer has recognised and relevant professional qualifications, together with experience in the locality of the valued premises. The property was valued in accordance with the Red Book approach, taking into account observable prices in an active market. The income and expenditure in respect of the investment property are given in Note 2.1.

A contract to dispose of the investment property along with the freehold land and buildings was approved during 2008–09. The investment property has a contracted value of £8 650 000 net of selling costs.

11. Subsidiaries and investments

Details of the Trading Funds subsidiaries at 31 March 2010 are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Proportion of ordinary shares held
Ordnance Survey Limited	Online business	England and Wales	100%
Ordnance Survey Services Limited	Dormant	England and Wales	100%
Ordnance Survey GB Limited	Dormant	England and Wales	100%

Ordnance Survey Limited was established during financial year 2009–10.

The aggregate capital and reserves and loss for the year of the subsidiaries are:

	Aggregate capital and reserves		
	2010 £'000	2009 £'000 As restated	2008 £'000 As restated
Ordnance Survey Limited	(812)	–	–
Ordnance Survey Services Limited	–	–	–
Ordnance Survey GB Limited	–	–	–

	Loss for year		
	2010 £'000	2009 £'000 As restated	2008 £'000 As restated
Ordnance Survey Limited	(812)	–	–
Ordnance Survey Services Limited	–	–	–
Ordnance Survey GB Limited	–	–	–

Other investments – PointX Limited

The investment in PointX Limited at 31 March is as follows:

	2010 £'000	2009 £'000 As restated	2008 £'000 As restated
Share of gross assets	251	184	271
Share of gross liabilities	(818)	(894)	(856)
Loan	690	690	690
Less amount included in other provisions	–	20	–
Net Assets	123	–	105

	2009–10 £'000	2008–09 £'000	2007–08 £'000
Operating results for PointX Limited for the financial year			
Revenue	1 148	562	799
Operating costs	(861)	(812)	(782)
Operating profit/(loss)	287	(250)	17
Tax	–	–	–
Profit/(loss) after tax	287	(250)	17
Ordnance Survey share	143	(125)	9

PointX Limited is a joint venture company set up to develop and market a point of interest database covering Great Britain. Ordnance Survey is represented on the Board by two Directors. At 31 March 2010 Ordnance Survey owned 50% of the total shares in PointX Limited, being 500 £1 'A' ordinary shares. Another investor owned the remaining 500 'B' ordinary shares. All shares are ranked equally.

The registered office and principal place of business of PointX Limited is 6–7 Abbey Court, Eagle Way, Sowton, EXETER, Devon, EX2 7HY.

An interest-free loan to PointX Limited was agreed on 30 March 2001. £689 600 was drawn down by 31 March 2007 with no further amounts utilised since that date. The amount drawn down is included on the Statement of Financial Position. The maximum agreed loan is £750 000. As at 31 March 2010 there is no set date for repayment.

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

12. Inventories

Group and Trading Fund	2010	2009	2008
	£'000	£'000	£'000
		As restated	As restated
Work-in-progress	226	239	398
Finished goods	1 806	1 330	1 491
	2 032	1 569	1 889

During the year, Ordnance Survey wrote off stock carried at £132 000 (2008–09: £181 000).

13. Trade & other receivables

Group	2010	2009	2008
	£'000	£'000	£'000
		As restated	As restated
Trade receivables	9 162	11 708	10 569
Allowance for doubtful debts	(962)	(877)	(488)
	8 200	10 831	10 081
Other receivables	335	1 852	313
Accrued income	5 710	4 238	4 878
Prepayments	2 834	2 958	1 795
Total trade and other receivables due in less than one year	17 079	19 879	17 067
Other receivables due over one year	–	–	34
Prepayments due over one year	–	–	49
Total receivables due over one year	–	–	83
	17 079	19 879	17 150

A breakdown of receivables by type is given in Note 25.

Notes:

- Bad Debts totalling £99 000 (2008–09: £31 000) were written off in 2009–10.
- No balances receivable were owed by Executive Directors at year end (2008–09: £750).
- The other receivables balance at 31 March 2010 includes a tenancy deposit of £174 000 (2008–09: £174 000) held in connection with securing an investment property lease.

The fair value of trade and other receivables are not materially different to the book value above. Receivables less than three months past due are not considered for impairment, unless specific circumstances give rise to indication of impairment as historical experience show these amounts as recoverable. Receivables are reviewed on a regular basis to assess the recoverability of the debt and a provision is made against them based on estimated recoverable amounts from the sales of goods or services determined by reference to past default experience. The value of receivables past due is shown in Note 28.

Before accepting any new customer, Ordnance Survey uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed on a regular basis.

Trading Fund	2010 £'000	2009 £'000 As restated	2008 £'000 As restated
Trade receivables	9 162	11 708	10 569
Trade receivables owed by group undertakings	407	–	–
Allowance for doubtful debts	(962)	(877)	(488)
	<u>8 607</u>	<u>10 831</u>	<u>10 081</u>
Other receivables	464	1 852	313
Accrued income	5 710	4 238	4 878
Prepayments	2 834	2 958	1 795
Total trade and other receivables due in less than one year	<u>17 615</u>	<u>19 879</u>	<u>17 067</u>
Other receivables due over one year	–	–	34
Prepayments due over one year	–	–	49
Total receivables due over one year	<u>–</u>	<u>–</u>	<u>83</u>
	<u>17 615</u>	<u>19 879</u>	<u>17 150</u>

14. Trade and other payables

Group	2010 £'000	2009 £'000 As restated	2008 £'000 As restated
Government loans due in less than one year	3 000	214	481
Trade payables	2 464	1 652	3 090
Taxation and social security	1 662	1 140	1 005
Other payables	5 771	6 022	5 685
Accruals	32 839	8 883	6 585
Finance lease due in less than one year	40	40	36
	<u>45 776</u>	<u>17 951</u>	<u>16 882</u>

Trading Fund	2010 £'000	2009 £'000 As restated	2008 £'000 As restated
Government loans	3 000	214	481
Trade payables	2 464	1 652	3 087
Taxation and social security	1 662	1 140	1 005
Other payables	5 771	6 022	5 685
Accruals	32 562	8 883	6 588
Finance lease due in less than one year	40	40	36
	<u>45 499</u>	<u>17 951</u>	<u>16 882</u>

The fair value of trade and other payables are not materially different to the book values above.

A breakdown of payables by type is given in Note 25.

15. Deferred revenue

Group and Trading Fund	2010 £'000	2009 £'000 As restated	2008 £'000 As restated
Current	8 727	8 049	6 735
Non-current	97	125	133

16. Obligations under finance lease

Group and Trading Fund	2010 £'000	2009 £'000 As restated	2008 £'000 As restated
Amounts payable under finance leases:			
Gross lease liabilities			
Within one year	41	41	40
In the second to fifth years inclusive	60	102	150
Less future finance charges	(2)	(4)	(6)
Net lease liabilities	99	139	184
Due within one year	40	40	45
Due in the second to fifth years inclusive	59	99	139

The present value of the minimum lease payments is not materially different from the minimum lease payments shown above.

17. Provision for liabilities and charges

Group and Trading Fund	Early Release Provision £'000	Other £'000	Total £'000
Balance at 1 April 2008 as restated	9 079	220	9 299
Utilisation of provision	(3 696)	(166)	(3 862)
Additional provision in year	936	112	1 048
Unwinding of discount	592	–	592
At 31 March 2009 as restated	6 911	166	7 077
Utilisation of provision	(14 992)	(92)	(15 084)
Additional provision in year	18 295	–	18 295
Unwinding of discount	778	–	778
As at 31 March 2010	10 992	74	11 066

	2010 £'000	2009 £'000 As restated	2008 £'000 As restated
Included in current liabilities	3 127	2 591	3 034
Included in non-current liabilities	7 939	4 486	6 265

See Note 1.13 for a full explanation of Early Release costs.

The above amount is estimated as falling due as follows:

	2009–10	
	Current liabilities	Non-current liabilities
2010–11	3 124	–
2011–12	–	2 469
2012–13	–	1 796
2013–14	–	1 293
2014–20	–	2 310
	3 124	7 868
Other provisions	3	71
	3 127	7 939

There has been no change in the year to the discount factor applied to provisions, which has remained at 2.2% in accordance with HM Treasury guidance.

Included within other provisions is a provision for onerous leases as a result of regional office closures of £74 000 (2008–09: £146 000), which covers residual commitments to lease expiry, after application of a risk-factored allowance for anticipated sublet rental income.

18. Non-current government loans repayable after one year

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

Group and Trading Fund	2009–10 £'000	2008–09 £'000	2007–08 £'000
Amounts repayable:		As restated	As restated
In two to five years	3 000	6 000	6 214

19. Equity public dividend capital

Group and Trading Fund	2009–10 £'000	2008–09 £'000	2007–08 £'000
Public Dividend Capital	14 000	As restated 14 000	As restated 14 000
	14 000	14 000	14 000

Public Dividend Capital represents the deemed shareholding of the Department for Communities and Local Government in Ordnance Survey.

Post-year end an additional £20 000 000 of Public Dividend Capital was introduced into the Trading Fund by the Department for Communities and Local Government.

20. Reserves

Group	2009–10 £'000	2008–09 £'000 As restated	2007–08 £'000 As restated
Revaluation reserve	6 696	6 697	12 184
Retained earnings	65 012	73 457	66 166
	71 708	80 154	78 350

Trading Fund	2009–10 £'000	2008–09 £'000 As restated	2007–08 £'000 As restated
Revaluation reserve (Note 21)	6 696	6 697	12 184
Retained earnings (Note 22)	65 824	73 457	66 166
	72 520	80 154	78 350

21. Revaluation reserve

Group and Trading Fund	2009–10			2008–09		
	Tangible assets £'000	Intangible assets £'000	Total	Tangible assets £'000 As restated	Intangible assets £'000 As restated	Total £'000 As restated
Balance at start of year	4 918	1 779	6 697	10 390	1 794	12 184
Arising on revaluation in year						
Increase	58	–	58	–	–	–
Decrease	–	(59)	(59)	(5 390)	(1)	(5 391)
Net revaluation increase/(decrease)	58	(59)	(1)	(5 390)	(1)	(5 391)
Realised gains and losses	–	–	–	(82)	–	(82)
Net valuation losses on impairment	–	–	–	–	(14)	(14)
Balance at 31 March	4 976	1 720	6 696	4 918	1 779	6 697

Revaluation reserves are not distributable to shareholders.

22. Retained earnings

Group	2009–10 £'000	2008–09 £'000 As restated
Balance at start of year as reported	73 457	43 645
IFRS adjustments (see Note 38)	–	22 521
Balance at the start of the year (as restated for IFRS)	73 457	66 166
(Loss)/profit for the year	(2 674)	12 505
IFRS adjustments (see Note 38)	–	(382)
	(2 674)	12 123
	70 783	78 289
Dividend payable	(5 771)	(4 832)
Balance at 31 March	65 012	73 457

Trading Fund	2009–10 £'000	2008–09 £'000 As restated
Balance at start of year as reported	73 457	43 645
IFRS adjustments (see Note 38)	–	22 521
Balance at the start of the year (as restated for IFRS)	73 457	66 166
(Loss)/profit for the year	(1 862)	12 505
IFRS adjustments (see Note 38)	–	(382)
	(1 862)	12 123
	71 595	78 289
Dividend payable	(5 771)	(4 832)
Balance at 31 March	65 824	73 457

23. Operating lease commitments

Group and Trading Fund	2009–10 £'000	2008–09 £'000 As restated
Minimum lease payments under operating leases recognised as an expense in the year	2 330	1 515

At 31 March 2010 Ordnance Survey has future minimum lease payments under non-cancellable operating leases as set out below:

Group and Trading Fund	2009–10 £'000	2008–09 £'000 As restated
Within one year	458	1 428
Between two and five years	876	1 358

24. Other Operating Income

Group and Trading Fund	2009–10 £'000	2008–09 £'000 As restated
(Loss)/profit on disposal of fixed assets	(19)	15
	(19)	15

25. Intra-government balances

Group and Trading Fund	Receivables: falling due within one year £'000	Receivables: falling due after more than one year £'000	Payables: falling due within one year £'000	Payables: falling due after more than one year £'000
Balances with:				
Other central government bodies	796	–	11 552	3 041
Local authorities	739	–	465	23
NHS trusts	86	–	–	–
Public corporations and Trading Funds	–	–	–	–
Bodies external to government	15 458	–	45 613	8 031
At 31 March 2010	17 079	–	57 630	11 095

A breakdown of receivables past due not impaired is given in Note 28.

26. Net cash inflow from operating activities

Consolidated

Reconciliation of (loss)/profit for the year to net cash flow from operating activities;	2009–10 £'000	2008–09 £'000 As restated
(Loss)/profit for the year	(2 674)	12 041
Adjustments for non-cash transactions:		
Depreciation of plant, property and equipment	3 155	3 039
Amortisation of intangible asset	4 619	4 781
Decrease in value of investment property	–	4 325
Impairment charge – intangible asset	–	156
Share of PointX Limited (profit)/loss	(123)	125
Finance expense/(income)	916	(1 057)
Loss/(profit) on disposal of property/plant and equipment	19	(15)
(Increase)/decrease in inventories	(463)	320
Decrease/(increase) in trade and other receivables	2 800	(2 805)
Increase in pre-funded early release cost commitments	–	24
Increase/(decrease) in trade and other payables	1 083	(2 824)
Increase/(decrease) in provisions for liabilities and charges over 1 year	3 385	(1 779)
Net cash inflow from operating activities	12 717	16 331

Trading Fund

Reconciliation of (loss)/profit for the year to net cash flow from operating activities;	2009–10 £'000	2008–09 £'000 As restated
(Loss)/profit for the year	(1 862)	12 041
Adjustments for non cash transactions:		
Depreciation of plant, property and equipment	3 155	3 039
Amortisation of intangible asset	4 619	4 781
Decrease in value of investment property	–	4 325
Impairment charge – intangible asset	–	156
Share of PointX Limited (profit)/loss	(123)	125
Finance expense/(income)	916	(1 057)
Loss/(profit) on disposal of property/plant and equipment	19	(15)
(Increase)/decrease in inventories	(463)	320
Decrease/(increase) in trade and other receivables	2 886	(2 805)
Increase in pre-funded early release cost commitments	–	24
Increase/(decrease) in trade and other payables	184	(2 824)
Increase/(decrease) in provisions for liabilities and charges over one year	3 385	(1 779)
Net cash inflow from operating activities	12 716	16 331

27. Cash and cash equivalents

Group	2009–10 £'000	2008–09 £'000 As restated
Balance held at Paymaster General's office	1 319	1 134
Balance held in commercial banks and cash in hand	3 181	203
Cash on deposit	6 000	17 000
	10 500	18 337

Trading Fund

Balance held at Paymaster General's office
 Balance held in commercial banks and cash in hand
 Cash on deposit

2009–10 £'000	2008–09 £'000 As restated
1 319	1 134
3 180	203
6 000	17 000
10 499	18 337

28. 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.

Ordnance Survey's financial instruments comprise cash deposits, and other items such as trade receivables, trade payables, provisions and loans. 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 credit, interest rate and liquidity 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. 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.

Credit risk

Ordnance Survey is exposed to credit risk through its trade receivables over a number of sectors. The Credit Policy has a deemed level of risk acceptance for commercial business and higher credit risks are subject to credit checking using external sources such as Dun & Bradstreet® and Experian®.

Generally, payment terms are 30 days from date of invoice in all areas except in the consumer sector, where payment terms of 60 or 90 days prevail.

Maximum exposure to credit risk as at 31 March 2010 was £9 162 000, of which £1 533 000 was due from public sector organisations and £962 000 had been provided for as a doubtful debt.

The profile of past due receivables not impaired is shown below:

	2009–10 £'000	2008–09 £'000 As restated
Past due 0–30 days	1 220	1 624
Past due 31–60 days	258	743
Past due 61–90 days	38	35
Past 90 days	181	167
Total	1 697	2 569

In arriving at the allowance for doubtful debts, the following have been taken into account:

- An individual account by account assessment of debt based on past credit history;
- A statistical approach to determine the historic allowance rate for each debt tranche, and applying this to the debt tranche at the end of the period; and
- Any prior knowledge of debtor insolvency or other credit risk.

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 limit agreed with HM Treasury of £15 000 000. Such loans – if taken – would usually be repayable within the year. The summary of financial liabilities detailed below shows the earliest undiscounted contractual maturity dates for Ordnance Survey's debt.

Fair value hierarchy

The revised IFRS 7 requires that an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value observable is given. The levels are as follows;

- Level 1 Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices).
- Level 3 Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The group's financial instruments, recognised at fair value, all fall into the level 1 categorisation.

Market risk

The group's activities expose it primarily to the financial risks of changes in interest rates. The group does not have transactions in foreign currencies.

The sensitivity analysis below has been determined based on the exposure to interest on the financial instrument balances at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At the reporting date, if interest rates had been 100 basis points higher and all other variables were held constant, the group's net (loss) would decrease by £144 000 (2008–09: profit increase of £229 000). This is mainly attributable to the group's cash balances held with HM Treasury. 100 basis points have been used as this has been deemed as a reasonably possible movement.

Maturity analysis	Due in 1	Due within	Due within	Due within	Due within	Due over	Total
	year	2 years	3 years	4 years	5 years	5 years	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Trade and other payables	51 503	156	–	–	–	–	51 659
Early release costs	3 124	2 469	1 796	1 293	976	1 334	10 992
Other provisions	3	–	7	46	18	–	74
Deemed loans	3 000	–	3 000	–	–	–	6 000
	<u>57 630</u>	<u>2 625</u>	<u>4 803</u>	<u>1 339</u>	<u>994</u>	<u>1 334</u>	<u>68 725</u>

Interest rate risk profile

The interest rate profile of Ordnance Survey's financial assets and liabilities at 31 March 2010 are set out below. All balances are held in sterling:

Group	2009–10			2008–09		
	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
	£'000	£'000	£'000	£'000	£'000	£'000
				As restated	As restated	As restated
Financial assets						
Cash at bank	–	4 500	4 500	–	1 337	1 337
Cash on deposit	–	6 000	6 000	–	17 000	17 000
Loan to PointX Limited (Interest free)	–	690	690	690	–	690
Financial liabilities						
Government loans	6 000	–	6 000	6 000	–	6 000

29. Financial commitments

Capital expenditure contracted but not provided in the accounts amounts to £12.9 million (2008–09: £35.6 million). The outstanding commitments include £10.4 million, which relates to the build cost of a new head office. This will be financed largely by the disposal of freehold land and buildings and investment property currently held by Ordnance Survey and partly by cash (see Note 9). A further £2.5 million has been contracted in relation to other assets expected to provide benefit to Ordnance Survey.

The above figures are stated using valuations of assets to be provided as part of the consideration for these commitments. Whilst there is no impact on the contractual capital expenditure commitment disclosed above, the carrying value in the financial statements of the assets to be transferred as part of the above arrangement have changed and stated under the existing use basis.

30. Related parties

Group and Trading Fund

All transactions with actual, or potential related parties are carried out at an arm's length basis.

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 had a significant number of material transactions with other governmental departments and central government bodies. Most of these transactions have been with the Department for Communities and Local Government; HM Land Registry®; NHS; the Department for Environment, Food and Rural Affairs®; the Ministry of Defence and Defence Agencies; and with the Scottish Office and its Agencies.

Ordnance Survey had material transactions with HM Revenue and Customs (HMRC) and the 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.

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.

Michael Sommers, a Non-Executive Director of Ordnance Survey, was a Non-Executive Director of the Department for Work and Pensions.

Ordnance Survey and PointX Limited are related parties. During the year Peter ter Haar and James Brayshaw were Directors of PointX Limited.

Ordnance Survey Limited, a new subsidiary set up in the year, is 100% owned by Ordnance Survey. The directors of Ordnance Survey Limited are Michael Sommers and James Brayshaw, who are Non-Executive Director and Director of Ordnance Survey respectively.

Point X Limited and Ordnance Survey Limited are included in the consolidated financial statements as described in the accounting policies.

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

Employee benefits for key management personnel are detailed in the Directors' remuneration report.

31. Contingent liabilities

There were no contingent liabilities at 31 March 2010.

32. Post-balance sheet events

IAS 10 requires the date on which the accounts are authorised for issue to be disclosed. The authorised date for issue is stated on the balance sheet.

On 1 April 2010 £20 million of public dividend capital was introduced by CLG into Ordnance Survey together with an agreement to extend the £15 million revolving credit facility to 2015. This revised capital structure reflected the launch of OS OpenData and the anticipated completion in 2010 of the head office building and a major IT infrastructure programme.

33. Financial targets and results

The financial objective for the year 2009–10 was to achieve a trading surplus, before exceptional items, interest and dividends of at least £14.6 million under IFRS.

A further financial objective of Ordnance Survey was to achieve a return on capital employed (ROCE), averaged over the financial year 2009–10 of at least 6.5% under IFRS, 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 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 Reserve.

The operating surplus before exceptional items for the financial year 2009–10 represents a ROCE of 17.6%.

34. Losses, special payments and gifts

- A In 2009–10 Ordnance Survey wrote off stock valued at £132 000 as a result of new editions of products and the consequential write-off of the obsolete stock they superseded.
- B Bad debt write-offs of £99 000 were incurred in the year.
- C 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.

35. Exceptional items

In accordance with the basis of preparation outlined in Note 1, Ordnance Survey separately presents exceptional items to allow a better understanding of the financial information presented, and specifically Ordnance Survey's underlying business performance.

Exceptional items recognised in operating costs

Following restructuring within Ordnance Survey in 2009–10 costs of £18 408 000 (2008–09: £936 000) have been recognised as exceptional within the Income Statement. In 2008–09 exceptional items totalled £5 261 000, comprising restructuring of £936 000 and a write down in the value of investment property of £4 325 000.

36. Board appointment

During the year Javaid Aziz was appointed by the Minister as a Non-Executive Director. He was appointed by the Board on 1 October 2009 and resigned for personal reasons on 12 April 2010. Prior to his resignation Mr Aziz attended one Strategy Board meeting on 7 October 2009. He was not present or involved in the business subsequent to this date. He received no remuneration in his

role and is therefore not included in the Directors' Remuneration Report.

37. Control

The immediate parent undertaking is the Department of Communities and Local Government (CLG). There is not considered to be an ultimate controlling party due to the fact that Ordnance Survey is a government Trading Fund, being a non-ministerial government department and an Executive Agency responsible to the Secretary of State for CLG. It is not therefore possible to identify the ultimate holders of the Public Dividend Capital of Ordnance Survey.

38. First time adoption of IFRS

An explanation of how the transition from UK GAAP to IFRS has affected Ordnance Survey's financial position is given in the reconciliations and explanatory notes below. The following pages demonstrate the movement on the opening balance sheet due to the IFRS implementation.

Explanatory notes to the UK GAAP to IFRS reconciliations

A Transition date and first time adoption of IFRS

Ordnance Survey's transition date for IFRS was 1 April 2008. All adjustments relating to first time adoption were recorded in shareholders' equity on the date of the transition.

B Internally generated intangible assets

Under UK GAAP (as interpreted by the Government Financial Reporting Manual or FReM), internally generated development costs in connection with geographic data, data delivery and business systems were expensed as an operating charge in the Operating Account in the year in which these were incurred.

Under IFRS (as interpreted by the Government International Financial Reporting Manual or iFReM), Ordnance Survey is required to capitalise expenditure on development of new or substantially improved internally generated geographic data and data delivery and business systems, which is incurred between establishing technical feasibility and the asset getting to a point of generating an economic benefit.

Development expenditure incurred in connection with new or substantially improved geographic

data and data delivery and business systems has been retrospectively recognised as an intangible asset on adopting the requirements of iFReM for the first time, providing it is probable that the expected future economic benefits will flow to Ordnance Survey and that the cost of the asset can be measured reliably. Retrospective capitalisation has been performed on intangible assets over £100 000, where reliable and complete original cost information is held for the entire development phase of the internally generated intangible asset. The assets identified were then subject to a depreciation charge from the date from which they were brought into business use.

C Website development costs

Under UK GAAP, website planning and development costs were expensed as incurred.

Under IFRS, expenditure incurred in connection with a website developed to enable customers to purchase or license products or services is capitalised as an internally generated intangible asset. Retrospective capitalisation has been recognised providing it is probable that the expected future economic benefits will flow to Ordnance Survey and that the cost of the asset can be measured reliably, and where reliable and complete original cost information is held for the development phase.

D Reclassification

Under UK GAAP, assets in the course of construction had been included as a tangible fixed asset. Under IFRS, these assets have been reviewed and it is management's opinion that these are more appropriately classified as intangible fixed assets, since they represent an identifiable non-monetary asset without physical substance.

Under UK GAAP, the revaluation gains on investment property have been reported within the revaluation reserve. Under IFRS, gains on the revaluation of investment property should be recognised within the profit and loss reserve. This has been applied retrospectively.

Long-term deemed loans have been reported within equity under UK GAAP as at 1 April 2008. During the course of the year UK GAAP was amended to agree to the IFRS definition of a financial liability. These loans fulfilled the

definition of a financial liability under revised UK GAAP, as well as IFRS, and have been reclassified accordingly. They are recognised at fair value on the trade date, and subsequently measured at amortised cost using the effective interest method. The long-term element of these loans is recorded in long-term liabilities within the 31 March 2009 UK GAAP accounts and, accordingly, they are not shown on the restatement of equity at this date.

E Employee benefits

IFRS requires employee non-cash benefits to be recognised within the financial statements. As at 31 March 2008 the figure of £1 100 000 in holiday pay had been accrued but not taken. This is reflected in the opening IFRS balance sheet.

F Finance leases

Under UK GAAP, leases were classified as finance leases if the minimum value of future lease payments was greater than 90% of the value of the asset. Leases where Ordnance Survey has assumed substantially all the risks and rewards incidental to the ownership of an asset have been reclassified as finance leases under IFRS.

G Finance costs

Capitalising finance costs was permitted under UK GAAP but was not mandatory, and the UK GAAP, FReM removed this option. Under IFRS, entities must capitalise finance costs in relation to qualifying assets. A qualifying asset is defined as an asset that necessarily takes a substantial period of time to get ready for its intended use. The construction of Ordnance Survey's new head office meets the requirements of a qualifying asset and therefore the finance costs in relation to this asset have been capitalised under IFRS.

Reconciliation of UK GAAP to IFRS as at 1 April 2008

UK GAAP at 1 April 2008	Opening balance adjustments				IFRS Balance Sheet at 1 April 2008
Reformatted UK GAAP figures to 31 March 2008	IAS 19 Employees benefits F	IAS 17 Leases G	IAS 40 Investment properties	IAS 38 Intangible assets B, C, D, E	
£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets					
Intangible fixed assets	232			51 738	51 970
Property, plant and equipment	58 573	179		(33 998)	24 754
Investment property	8 520				8 520
Investment in joint venture	105			105	
					85 349
Current assets					
Assets held for resale	–				–
Inventories	1 889				1 889
Trade and other receivables	17 150				17 150
Cash and cash equivalents	27 364				27 364
					46 403
Total assets					131 752
Current liabilities					
Trade and other payables	(15 742)	(40)			(16 882)
Provision for liabilities and charges	(3 034)				(3 034)
Deferred revenue	(6 735)				(6 735)
					(26 651)
Net current assets					19 752
Long-term liabilities					
Long-term provisions for liabilities	(6 265)				(6 265)
Finance lease > one year	–	(139)			(139)
Loans repayable after one year	(6 214)				(6 214)
Deferred revenue	(133)				(133)
					(12 751)
Total liabilities					(39 402)
Net assets					92 350
Capital and reserves					
Equity public dividend capital	14 000				14 000
Revaluation reserves	18 065		(7 674)	1 793	12 184
Retained earnings	43 645	(1 100)	7 674	15 947	66 166
					92 350

The conversion to IFRS has no effect on cash flows in any period.

Reconciliation of UK GAAP to IFRS as at 31 March 2009
UK GAAP at 31 March 2009

	Opening balance adjustments					IFRS Balance Sheet at 31 March 2009
Reformatted UK GAAP figures to 31 March 2009	IAS 19 Employee benefits F	IAS 17 Leases	IAS 23 Borrowing costs G	IAS 40 Investment properties	IAS 38 Intangible assets B, C, D, E	
	£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets						
Intangible fixed assets	262				58 339	58 601
Property, plant and equipment	72 347	138	211		(41 822)	30 874
Investment property	4 195					4 195
Investment in joint venture	–					–
						93 670
Current assets						
Assets held for resale	–					–
Inventories	1 569					1 569
Trade and other receivables	19 879					19 879
Cash and cash equivalents	18 337					18 337
						39 785
Total assets						133 455
Current liabilities						
Trade and other payables	(16 705)	(39)				(17 951)
Provision for liabilities and charges	(2 591)					(2 591)
Deferred revenue	(8 049)					(8 049)
						(28 591)
Net current assets						11 194
Long term liabilities						
Long term provisions for liabilities	(4 486)					(4 486)
Finance lease >one year	–	(99)				(99)
Loans repayable after one year	(6 000)					(6 000)
Deferred revenue	(125)					(125)
						(10 710)
Total liabilities						(39 301)
Net assets						94 154
Capital and reserves						
Equity public dividend capital	14 000				1 646	14 000
Revaluation reserves	8 401			(3 350)		6 697
Retained earnings	56 232	–	211	3 350	14 871	73 457
						94 154

The conversion to IFRS has no effect on cash flows in any period.

Reconciliation of UK GAAP to IFRS as at 31 March 2009
UK GAAP at 31 March 2009

Opening balance adjustments

IFRS Balance Sheet at 31 March 2009

Reformatted UK GAAP figures to 31 March 2009

IAS 38 Intangible assets B, C, D, E

IAS 40 Investment properties

IAS 23 Borrowing costs G

IAS 17 Leases

IAS 19 Employee benefits F

£'000

£'000

£'000

£'000

£'000

£'000

Income and expenditure account

Revenue

117 198

Revenue

117 198

Operating costs

(100 809)

Operating costs

(101 780)

Other gains and losses

–

Other gains and losses

(4 325)

Post-tax (loss) of joint venture

(125)

Post-tax (loss) of joint venture

(125)

Other operating income

15

Other operating income

15

Operating profit

16 279

Operating profit

10 983

Net finance income

1 058

Net finance income

1 058

Profit on ordinary activities

17 337

Profit on ordinary activities

12 041

Dividend

(4 832)

Dividend

(4 832)

Profit retained for the year

12 505

Profit retained for the year

7 209

Statement of comprehensive income

Net profit for the year

12 505

Net profit for the year

7 209

(Losses)/gains on revaluation of non-current assets

(5 257)

Gains/(losses) on revaluation of non-current assets

(5 405)

Unrealised loss on revaluation of investment assets

(4 325)

Unrealised loss on revaluation of investment assets

–

Total comprehensive income for the year

2 923

Total comprehensive income for the year

1 804

39. Five Year Summary

	2009–10 £'000	2008–09 £'000	2007–08 £'000	2006–07 £'000	2005–06 £'000
Revenue	114 340	117 198	118 740	116 215	118 356
Operating costs	(97 690)	(95 658)	(96 192)	(109 992)	(110 489)
Operating profit/(loss) before exceptional items	16 650	21 540	22 548	6 223	7 867
Exceptional items	(18 408)	(5 261)	–	–	–
Operating (loss)/profit	(1 758)	16 279	22 548	6 223	7 867
Finance (cost)/income	(916)	1 058	1 288	479	144
(Loss)/Profit on ordinary activities	(2 674)	17 337	23 836	6 702	8 011
Dividend	(5 771)	(4 832)	(3 713)	(4 610)	(2 620)
(Loss)/profit retained for the year	(8 445)	12 505	20 123	2 092	5 391
Total equity	85 708	78 633	81 924	62 005	59 457

2005–06 to 2007–08 are reported under UK Generally Accepted Accounting Practice (GAAP). As described in the accounting policies, the Group adopted International Financial Reporting Standards (IFRS) from 1 April 2008. Accordingly 2008–09 and 2009–10 are reported under IFRS.

1. Section 4(1) of the Government Trading Funds Act 1973 ('the 1973 Act') 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 the Minister's 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 Secretary of State for Communities and Local Government, 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 3-year period from 1 April 2007 to 31 March 2010 shall be to achieve a return of 5.5% for the financial year to 31 March 2008, 6.0% for the financial year to 31 March 2009 and 6.5% for the financial year to 31 March 2010, 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 15th January 2004.
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.

Glossary

Application programming interface (API) – an interface used for accessing an application or a service from a computer program.

Derived data – is a widely used GI industry term that refers to information created, or derived, by direct reference to an existing geographic feature. For example, a user may derive the location of a route or asset using existing features on the mapping or data.

Geographic information (GI) – information about objects or phenomena associated with a location relative to the surface of the earth.

GeoVation – is an online social portal where geographic data and innovative thinkers can come together for the benefit of developers, entrepreneurs, website owners and end-users. Through GeoVation, Ordnance Survey will offer public access to its digital mapping products for people developing new ideas that need geographic data. It will enable anyone interested in geographic data to share, debate and explore new ways to turn their ideas into reality.

Global Positioning System (GPS) – a ‘constellation’ of satellites that orbit the Earth and make it possible for people with ground receivers to pinpoint their geographic location.

Orthorectified – imagery is created using National Grid control points and a DTM. This means that the distortions inherent in a flat photograph of a three-dimensional object (the Earth's surface) are more completely and accurately corrected. An orthorectified image is positionally more accurate, and geometric fidelity (shape) is retained in all terrain, including hilly areas. Also, a consistent scale is maintained throughout the image (as per a map), and future imagery updates will be in the same position.

OS On Demand – is a web-mapping service that delivers location information. The service hosts and supplies the latest most accurate raster mapping via the Web, directly to a customer's desktop.

OS OpenData – is an online portal allowing users to download a wide range of mapping and GI for free use direct to their computer; view maps and boundary information for the whole country.

OS OpenSpace – is an application programming interface (API) that supports the creation of dynamic mapping applications that can be embedded on your website.

OS VectorMap District – a mid-scale vector map dataset, which has been specially designed to display information on the Web.

OS VectorMap Local – is a flexible product that helps users to visualise information on a map. It enables you to customise the look and feel of a map, incorporating your own information, in your own way.

Photogrammetry – is the science of measuring and interpreting objects from photographs.

Web map builder – a simple tool that allows users to add makers, routes and search functionality to their web map without having to write a single line of code.



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