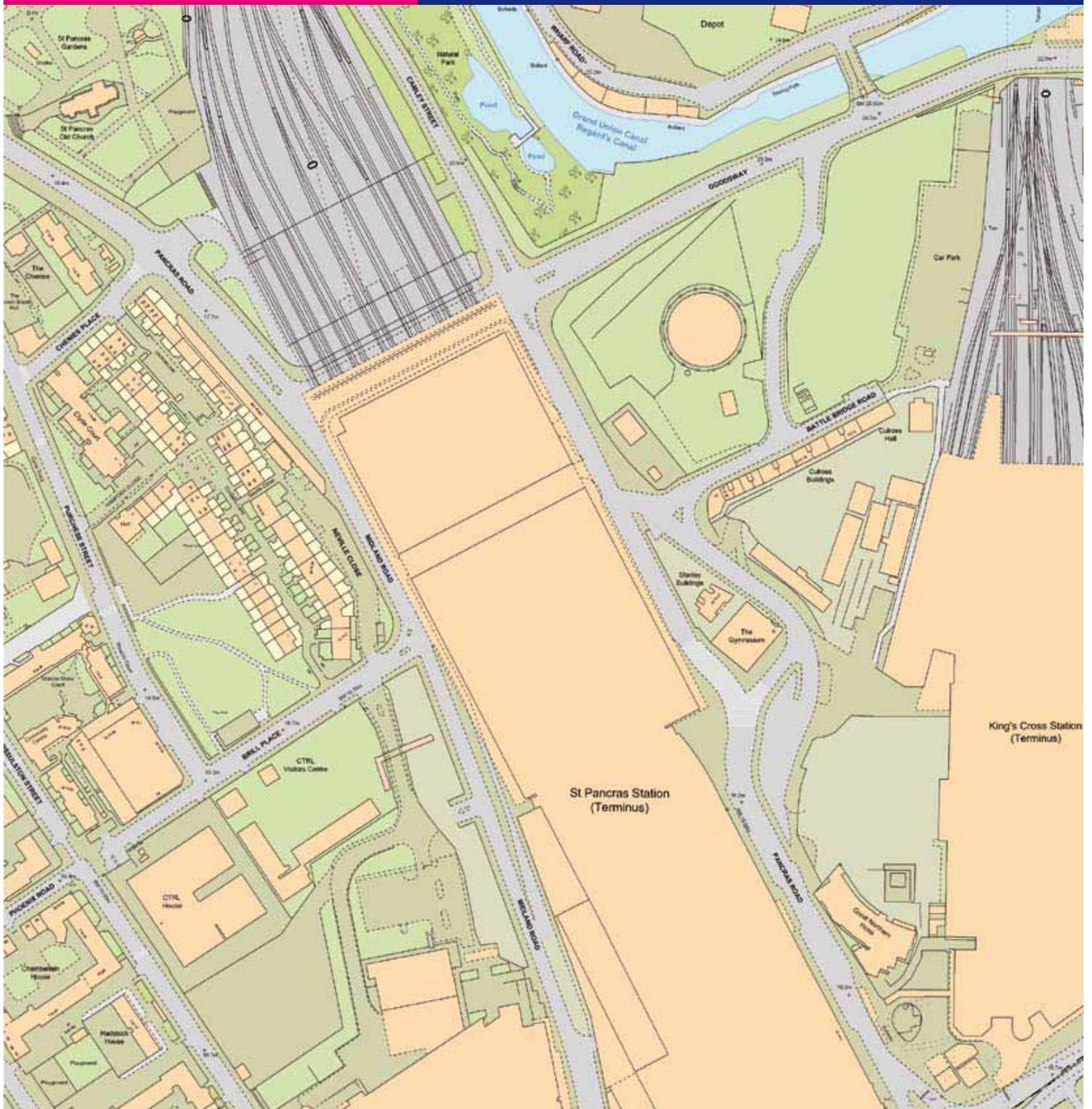


# Annual Report and Accounts 2007–08



# The year in numbers

**100 000 km<sup>2</sup>** of new and updated aerial photography was made available to customers.

**50 000 km<sup>2</sup>** of topographic data was revised in rural, mountain and moorland areas.

**99.9%** of significant real-world features across Great Britain shown in Ordnance Survey's database within six months of completion on the ground.

**27.44 million** postal addresses are in the most detailed geographic address database for Great Britain after we collected a further 550 000 in the year.

**£15.3 million** was spent on investment, chiefly on a programme to replace our database management system.

**152 452** enquiries received by our Customer Service Centre by phone, email and letter.

**2.9%** – growth in overall trading revenue comparing this year and last.

**6.9%** – growth in revenue from the consumer sector, including sales of our paper maps, comparing this year and last.

**8.2%** – growth in revenue from the private sector comparing this year and last.

**4 447 203** maps distributed since our Free maps for schools initiative began in 2002. The total includes this year's figure of 704 196.

**70** countries represented by the 221 delegates from across the world who attended the Cambridge Conference of national mapping organisations, an event we host every four years.



# Ordnance Survey Annual Report and Accounts 2007–08

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

**Ordered by the House of Commons to be printed 8 July 2008**

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# Who we are and what we do

As Great Britain's national mapping agency, we create, maintain and distribute the most accurate and up-to-date geographic information of the whole country.

Our data is relied on by government, business and individuals to support better decision making, improve efficiency and enable more effective service delivery.

We generate our revenue through licensing the intellectual property rights in our data under Crown copyright. We do this both directly to customers and via our growing community of more than 500 private sector businesses who trade Ordnance Survey information. They include value-added resellers, our specialist network of retailers called Ordnance Survey Mapping and Data Centres and a wide range of publishers. In the last five years, we have

invested heavily in attracting partners to deliver customer-led solutions to meet market demand.

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.



# Director General and Chief Executive's overview



This is a really exciting time to be involved in geographic information. Across the globe development of the World Wide Web has enabled millions of people to access mapping on their desktops. This is helping people discover many new uses for geographic information and in Great Britain most of the applications in daily use, whether on a computer, mobile phone or in the car, are enabled by data from Ordnance Survey.

In Great Britain many people have an emotional connection with Ordnance Survey through our paper maps. In marketing terms, this gives us tremendous brand equity. Our challenge is to ensure that all our customers – however they interact with us – see us as their provider of choice and decide they wish to do business with us. To do this, we must help customers to access and use Ordnance Survey data in ways which suit them.

This year we have launched a free outdoor exploration portal, *explore*, which enables people to create their own web content based on our data. By supporting a web community where people go online to display and share walking routes, we are encouraging the growing interest by like-minded people in sharing their discoveries and interests using 'web 2.0'.

We have also launched OS OpenSpace™, an applications programming interface which provides a platform for web developers experimenting with applications based on our data for non-commercial use. Interesting and innovative applications are already emerging from this new resource and so we have built in a path to commercial exploitation for those keen to bring their ideas to market.

With so much technological innovation going on, it is vital that we stay focused on what makes Ordnance Survey unique. We are the only organisation to provide maximum long-term reliability in the mapping of the whole of Great Britain – from the most densely populated cities to the remotest corners of the country. While most customer demand comes from dynamic locations of change such as urban and suburban sites, transport corridors and development areas, we apply nationally consistent specifications across all areas, whether or not they would be commercially attractive to map. In keeping the most detailed mapping of remote areas up to date in the national interest, we provide information that is absolutely vital for public administration, emergency response and other essential services.

Thanks to continual quality improvements, we have seen an excellent customer response to our most detailed geographic address information, OS MasterMap® Address Layer 2. This offers a highly accurate link between every British property address and its location 'on the map'. There are now more than 21 000 users of this data across industry, commerce and the public sector, including organisations as diverse as National Grid®, Norwich Union® and the Metropolitan Police.

Over the next year we will continue to enrich data quality across all our output while building efficiencies into the management of our costs and seeking economies of scale where we can. In addition, in this technologically changing world, we intend to continue to develop our pricing and licensing terms to meet market changes while ensuring that the government's intellectual property rights are properly protected.

A handwritten signature in black ink, reading 'Vanessa V. Lawrence'. The signature is stylized and fluid.

Vanessa V Lawrence CB  
Director General and Chief Executive  
26 June 2008

# Business review

## 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 2007–08 as shown below.**

### Finance

To achieve an operating profit before interest and dividends of £14.6 million. Actual performance: £22.5 million.

### Data currency

To represent 99.6% of significant real-world features in Ordnance Survey's geographic data within six months of completion. Actual performance: 99.9%. Currency and completeness of the database are measured through monthly audit samples carried out on the ground independently from our field surveyors. The results are verified and collated to inform the annual measure.

### Data supply

To continuously improve the timeliness of the supply of our data to customers with a success rate not lower than 97%. Actual performance: 99.6%. The target has been achieved by making improvements to the order management process so that agreed timescales are met. The process includes classification of orders by criteria such as priority, size, customer type and market sector. This is particularly relevant if for any reason the service is interrupted.

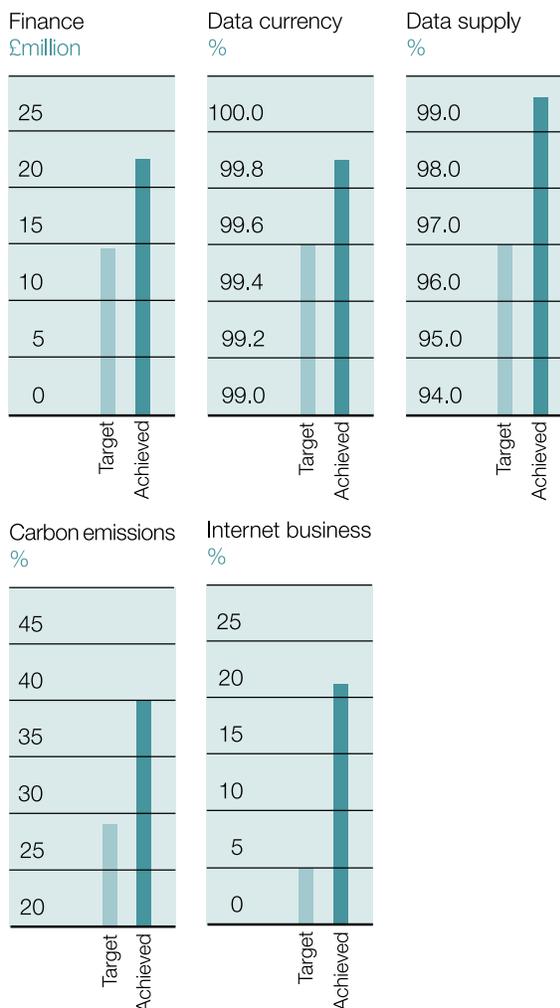
### Carbon emissions

To reduce carbon emissions from Ordnance Survey head office by 29% against the base year of 2000–01. Actual performance: 40% reduction. The target has been met by the combined effect of procuring renewable electricity from the grid and good management of our own combined heat and power unit.

### Internet business

To achieve an improvement of 5% in business through web channels on planned 2006–07 baseline transaction levels (a rise from 90 301 to 94 816 transactions). The monitor counts the number of individual items ordered, not the number of orders. Actual performance: 109 501 transactions, an improvement of 21.3%. A key factor was the use of 'Google® Ad words', attracting more than 1.66 million visits to our consumer website.

## Agency Performance Monitors



Vanessa V Lawrence CB  
Director General and Chief Executive  
26 June 2008

Mark Alexander  
Finance Director  
26 June 2008

## Business performance

### Strategic context

This year we saw a number of developments affecting the strategic context in which we work.

As announced in the 2008 Budget Report, HM Treasury will be undertaking a review of the Trading Fund model for funding some public-sector information holders. The outcome of the review, and any consequent changes to Trading Funds, has the potential to impact significantly on us. We look forward to participating constructively in the policy deliberations that are to come. We believe that a priority must be to develop a financially viable way forward that maximises the value of geographic information and protects the integrity and currency of the data.

We remain in discussion with the Office of Fair Trading on issues raised in its December 2006 market study into the commercial use of public information. There may be consequent changes to our business model and pricing and licensing arrangements, affecting future revenues and incurring additional costs in migrating to a new regime.

We have worked on recommendations from the 2007 Power of Information Review, which looked at opportunities presented by the way information is increasingly created and shared over the Internet. One of the recommendations asked us to launch a platform to allow more non-commercial experimentation with mapping data. We launched this platform, OS OpenSpace, in December 2007. As well as the web service itself, OS OpenSpace includes a forum to encourage developers to discuss new ideas, review each other's work and collaborate on projects. By the end of the financial year we had seen more than 560 web developers producing applications based on OS OpenSpace.

Under another recommendation, HM Treasury and the Department for Business, Enterprise and Regulatory Reform commissioned Cambridge University to undertake analysis specifically around the pricing of information held by Trading Funds. The study, *Models of Public Sector Information Provision via Trading Funds February 2008*, set out estimates of the costs and benefits of marginal-cost pricing, based on certain assumptions. In response, the Government has said it will look closely at the information held by Trading Funds to distinguish more clearly what is required for public tasks and ensure it is made available as widely as possible for use in actual and potential downstream markets. The underlying principle is that information collected for public purposes will be made available at a price that balances the need for access while ensuring customers pay a fair contribution to the cost of collecting this information in the long term. We agree that a priority must be to develop a sustainable way forward to maximise the value of geographic information. We are pleased that the study explicitly recognises the need to safeguard the performance of public-sector information holders in terms of efficiency and data quality.

We were also the subject of a report by the Communities and Local Government Select Committee. We welcome the Committee's fair and balanced report, its recognition of our unique history, role and success, and its astute analysis of our current operating environment.

Another strategic issue is that public-sector customers are under pressure to reduce expenditure and this may exert downward pressure on our revenues. We will continue to contend that access to high-quality geographic information will be an important component in the cost-effective delivery of government policy.

## Changing markets

The market in geographic information comprises hardware, software, data and services. Ordnance Survey operates primarily in data provision.

There is rapid development in business and consumer applications offering desktop and mobile Internet access to services utilising geographic information. They include GPS-enabled phone services, search engines, web directories and route finding applications.

The worldwide geographic information industry is experiencing major changes that underline its growing significance. Microsoft® acquired the UK online mapping company MultiMap® in December 2007 to strengthen its search and location-based services. This was a month after shareholders of the navigation services provider NAVTEQ® agreed an \$8.1 billion takeover by Nokia®.

Ordnance Survey's core market proposition is the high degree of currency, accuracy, completeness and consistency of our information. We continue to focus on improving these aspects in line with customer needs. We have created a common data infrastructure onto which all kinds of services and applications can be based.

With the increasingly sophisticated use of geographic information we believe there will be growing demand for high-quality, nationwide data that can be shared among many users to agreed standards. Our role is to meet that need while continuing to serve the national interest.



## Our key sectors: public sector, utilities, commercial and consumer

A comprehensive geographic context can help with all kinds of decision making and service provision in the public sector. Our data is key to the work of emergency services, supporting activities such as command and control, incident response, contingency planning and collaborative working. Local authorities also use our products to support online citizen information services covering such issues as recycling, public transport, planning applications, development restrictions and local amenities. Systems behind the scenes record and manage a wide range of information supported by us. Our spatial address data is enabling the efficient and effective sharing of data across the public sector and utilities, joining up datasets to provide a framework for the delivery of e-government and supporting effective public service provision.

We provide much data to the public sector through two collective agreements, one for local government and one for central government. Customers can also separately license products falling outside these agreements if they wish.

We are also active in the utilities market, where we provide the supporting geography on which they manage customers, plan and maintain infrastructure networks and coordinate street works. Many utility companies are keen to ensure they can share data for the management of underground assets such as buried pipes, cables, ducts and wires. We aim to provide them with highly detailed data that facilitates a consistent and flexible exchange of the relevant information.

A key focus for both government and utilities is to ensure that customers migrate to and fully adopt our most detailed geographic data, the OS MasterMap product family, as we retire products such as Land-Line®. OS MasterMap products contain more than 460 million uniquely identified geographic features down to individual addresses and buildings. OS MasterMap Topography Layer, for example, is designed to operate in a database environment. By adopting OS MasterMap, users can secure the benefits it offers as a database tool capable of linking all kinds of information with real-world features.

In the commercial sector we focus largely on the land and property, insurance and transport markets.

The land and property market is large and complex and has a variety of economic cycles operating within it. Revenue relies on the volume of housing transactions and property development activity. In the final quarter of the year we began to see some impact on our revenues of the general downturn in the property market. We are working with professional bodies to emphasise the benefits of licensed use of mapping data by both business users and private individuals. We are targeting new areas, such as property-related finance and asset management, and delivering solutions with new partners.

In the insurance market organisations are keen to find ways to differentiate themselves to gain competitive advantage, lower their costs and reduce risk, thereby improving earnings. Our products offer insurers and brokers a way to do this by improving access to information on perils, accumulation and fraud and enhancing the services offered to clients. We are working to improve relationships with insurers and trade associations to better understand their needs. We support partners who provide desktop analysis solutions and we continue to market our OS MasterMap address data as a means of reducing risk at the household level compared with more traditional postcode banding.

The detail and comprehensive coverage of our information also supports competitive advantage in the transport sector where it is used by hauliers, door-to-door delivery firms and fleet system integrators.



We divide the consumer sector into two categories: outdoor exploration and personal navigation.

The outdoor exploration segment consists of outdoor enthusiasts such as walkers, cyclists, campers and climbers. It is served by paper map products such as OS Landranger Map and OS Explorer Map. Some Ordnance Survey partners also supply our mapping on CD-ROM, over the internet and in portable GPS navigation devices. Revenue typically comes from high-street and specialist retailers, wholesalers, our website, third-party online retailers and our distributor network of Ordnance Survey Mapping and Data Centres.

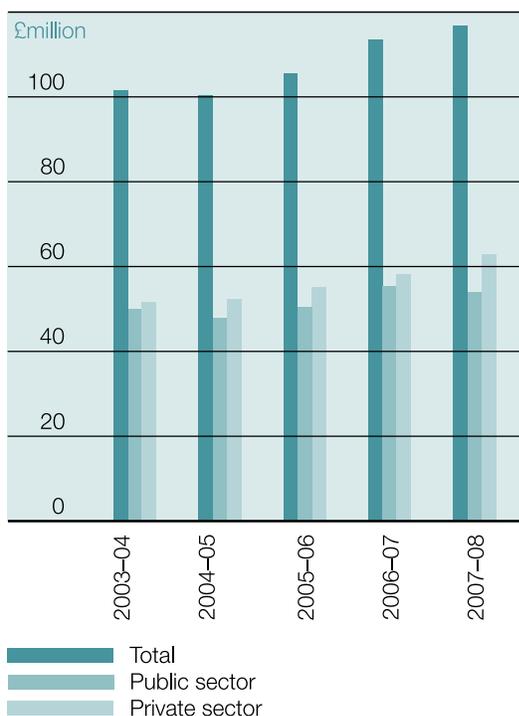
Traditional retail channels are expanding more slowly than their online competitors but remain the most important route to market for our paper map products. Our continuing investment here will focus on maintaining in-store space through improved ranging and fixture layout. We are extending distribution into new retail channels, including grocery and online retailers, or 'e-tailers'. We will also improve our own online presence to reflect changes to consumer shopping behaviour and develop relationships with other e-tailers in order to extend our sales channels.

We define a personal navigation customer as someone looking for directions using a paper map, atlas or guide, Internet mapping or a portable GPS satellite navigation device. Personal navigation is a fast-growing area of the consumer marketplace. Worldwide shipments of personal navigation devices are set to rise from 15.5 million units in 2006 to 61.5 million units by 2010, an annual growth rate of 41% (source: *Canalys – Smart mobile device and navigation trends 2007–08*). A key challenge here for Ordnance Survey is to build on the equity we have in our paper maps and lever the power of our brand to ensure we remain a relevant player across the entire personal navigation category. We are working with device manufacturers to incorporate our data into their location-based solutions.

## Financial review

Ordnance Survey achieved a surplus on ordinary activities before interest and dividend payable for the year of £22.5 million (2006–07: £6.2 million). The underlying improvement in profit is £5 million after taking account of an exceptional operating charge in 2006–07 of £11.3 million. This improvement results principally from an increase in turnover from trading activities of £3.3 million (2.9%) and a reduction in operating costs (excluding the exceptional charge) of £2.3 million (2.3%).

Turnover from trading activities



## Turnover

Turnover increased by £2.5 million (2.2%) in the year to £118.7 million (2006–07: £116.2 million), as set out in the table below.

Analysis of turnover

£million	2007–08	2006–07
Turnover from trading activities	116.9	113.6
NIMSA revenue	0	1.0
Turnover from other operating activities	1.3	0.9
Turnover from operating activities	118.2	115.5
Income from investment property	0.5	0.7
	<b>118.7</b>	<b>116.2</b>

No revenue was received in 2007–08 from the National Interest Mapping Services Agreement (NIMSA), which completed on 31 December 2006.

Key changes in turnover from trading activities over the year were:

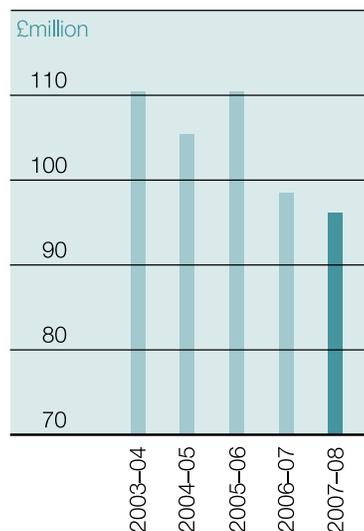
- Private sector – up £4.8 million (8.2%) to £63 million. This is due to growth in our partner channel, notably in the personal navigation, and land and property markets, continued growth in the utilities sector and increased sales of paper maps.
- Public sector – down £1.5 million (2.7%) to £54 million, due to a reduction in sales to central government following pressure across Government to reduce public-sector spending.

Looking ahead, we anticipate continued growth in private-sector revenue through licensing products to new partners in the insurance and transport sectors, and further opportunities in the personal navigation sector. We are cautious over medium-term prospects for continued growth in the land and property sector – we experienced a reduction in growth during the final quarter of 2007–08. For our consumer mapping sales, we aim to build on our success in 2007–08, which reversed the previous year’s decline, notably through further innovations in our web channel. Opportunities for growth in the public sector are expected to continue to be restricted.

### Operating costs

Operating costs have decreased by £2.3 million to £96.1 million (2006–07: £98.4 million before exceptional operating charge). Total staff costs, which include salaries, restructuring costs and temporary labour, increased by £0.9 million (1.6%) to £58.3 million (2006–07: £57.4 million). Inflation in salaries has been partially offset by reduced staff numbers; the average number of staff employed in the year was 1 369 (2006–07: 1 410).

Operating costs



The restructuring cost for the year was £0.8 million (2006–07: £0.5 million) and arises from early release decisions. Temporary and agency labour cost £7.6 million (2006–07: £7.1 million) and were employed principally on programmes to improve the quality and content of data, and the resilience of IT systems and processes. Expenditure on temporary labour fluctuates with the timing and level of these activities.

Average staff numbers



The depreciation and amortisation charge for the year was £4.8 million (2006–07: £5.8 million). The existing database management system has already been fully depreciated. The bulk of capital additions in the year were to an asset in course of construction, which has not yet been commissioned and therefore not depreciated in the year.

Other operating costs have decreased by £2.1 million to £33.1 million (2006–07: £35.2 million). This is due to lower non-capitalised investment expenditure associated with the investment programme discussed below, and a reduced aerial photography flying programme.

## Investment programme

Capital investment in the year was £10.3 million (2006–07: £14.2 million). This contributes to a total investment of £15.3 million (2006–07: £21.5 million) when combined with non-capitalised investment expenditure (within operating costs) of £5.0 million (2006–07: £7.3 million).



The investment programme was dominated by expenditure on a replacement database management system of £8.7 million, all of which was held in asset in course of construction, resulting in a balance at 31 March 2008 of £31.7 million. The system will transform the way in which data is captured, stored and extracted into products, resulting in higher levels of data integrity, lower business risk and increased flexibility when taking new products to market.

Investment in a new head office building continued in the year. A development contract was signed with Kier® Property Development Ltd on 9 March 2007. Since then the parties have been progressing the necessary planning permissions prior to commencing construction later in 2008. Delays to planning approvals have resulted in lower expenditure on the project in 2007–08 than anticipated. The rate of spend will increase significantly in 2008–09, and we expect to occupy the new building in 2010.

The remainder of the investment programme in 2007–08 was weighted towards improving our delivery systems, including web channels.

In addition to delivery of the database management system and the new head office, future investment will

focus on improving the content and quality of our data and enhancing our service and delivery systems.

## Other investments

PointX® Ltd, a 50% joint venture with Landmark Information Group™ Ltd, achieved turnover in its financial year ended 31 March 2008 of £0.8 million (2006–07: £0.8 million), generating a profit of £16 000 (2006–07: £68 000).

## Working capital, cash flow and liquidity

Combined cash balances at 31 March 2008 were £27.4 million (£15.4 million at 31 March 2007). The increase of £12.0 million reflects a cash inflow from operating activities of £26.3 million (2006–07: £16.9 million) and net interest received of £1.8 million (2006–07: £0.8 million), offset by capital investment of £10.4 million (2006–07: £13.7 million) and the dividend paid in respect of the previous financial year of £4.6 million (2006–07: £2.6 million).

Overall liquidity is expected to reduce as a result of increased investment activity, notably the database management system and head office building discussed above. Our medium-term plans indicate that we may exercise our borrowing powers over the next three financial years. Under our Framework Document 2004, as amended by Statutory Instrument 2006 No 2835, Ordnance Survey has maximum borrowing powers of £40 million and, within that limit, has an agreed credit facility with the National Loans Fund of £25 million.

## 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. We maintain cash balances primarily in an interest-bearing account at the Office of the Paymaster. The main purpose of these balances is to finance our operations; sums retained in the business but surplus to immediate requirements are deposited in a short-term, interest-bearing account with the National Loans Fund, typically, seven days to six months in duration.

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

### **Better Payment Practice Code**

Ordnance Survey complies with the Better Payment Practice Code; in 2007–08, 96.3% (2006–07: 97.2%) of all approved supplier invoices were paid within the contractual conditions or within 30 days of receipt of a valid invoice.

### **Capital and reserves**

Total capital and reserves have increased by £19.9 million to £81.9 million at 31 March 2008 (£62.0 million at 31 March 2007). The General Reserve has grown to £43.6 million at 31 March 2008 (£23.4 million at 31 March 2007). The increase of £20.2 million reflects principally the operating profit for the year plus net interest receivable less the dividend payable. Asset revaluations have resulted in a net increase in revaluation reserves of £0.1 million.

During the year loans repayable after one year have reduced by £0.5 million (2006–07: £0.6 million) in accordance with the schedule of loan repayments. The balance of loans repayable at the year end of £6.7 million (31 March 2007: £7.3 million) is expected to be repaid over the course of the next five years.

### **Dividends**

We will pay a dividend in respect of 2007–08 of £3.7 million (2006–07: £4.6 million). The dividend is calculated on 5.5% return on average capital employed for the year when combined with interest paid on loans from the National Loans Fund. The reduction in the dividend payable over the last year is due to the phasing of dividends for the three financial years 2004–05 to 2006–07, whereby it was agreed with CLG that the overall dividend liability for that period would be weighted toward the final year.

### **Significant events after the balance sheet date**

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

### **Accounting policies**

Key accounting policies are set out in Note 1 to the Accounts. In particular, Note 1.7 describes our accounting treatment of the geographic data. This treatment means the data does not appear on the balance sheet; we encourage the reader of our financial statements to take the data asset into account when seeking to understand the true value of the business and to recognise that the data is crucial to the successful delivery of future business development.

Our auditor, the Comptroller and Auditor General of the National Audit Office (NAO), has qualified his opinion each year since 1999–2000 in respect of our accounting treatment of the data, and has set out his argument in a report attached to his audit opinion. In anticipation of the conversion to International Financial Reporting Standards (IFRS) in 2009–10, the treatment of the geographic data is currently under review in consultation with NAO.

The business is organised into a single business unit to deliver our vision and national remit, therefore no segmental reporting is presented.



Mark Alexander  
Finance Director  
26 June 2008

# The year in summary

We have seen many success stories across our activities this year that together give us a strong platform to drive Ordnance Survey forward. The following sections describe these in more detail. There are examples showing how we are improving the customer experience and how our data is relied on by business, government and individuals. We also discuss developments with our product portfolio, data collection, stakeholder engagement and corporate responsibility.

## Improving the customer experience

We aim to provide a consistently good experience every time a customer interacts with Ordnance Survey products and services. We have taken a number of steps this year to maximise accessibility to our information and meet customer needs.

### Customer service headlines

Results	Year to March 2008	Year to March 2007	% Variance
Complaints	806	834	-3
Telephone calls received	86 930	85 529	+2
Correspondence enquiries	65 522	71 679	-9
Total enquiries	152 452	157 208	-3
Average wait time	6.3 secs	8.0 secs	-21
Lost calls %	0.2%	1.25%	-84

### explore

We launched *explore*, a fast-growing, web-based community portal where outdoor enthusiasts can share their favourite routes, pictures and stories. Users can mark routes and highlight points of interest on top of Ordnance Survey

mapping at up to 1:50 000 scale. They can also create discussion groups to share ideas and express opinions.

The search facility enables visitors to look for user-generated routes across the entire country by place name, postcode or grid reference, while filtering for a host of criteria, including on- or off-road, child friendliness and disabled access. By the end of the financial year, *explore* had 3 700 members with 2 340 individual routes posted.

### Mash-ups

We launched OS OpenSpace, a free service that allows users to build mash-ups of mapping ranging from the whole of Great Britain down to street level. It is available to anyone who wants to develop experimental applications on the Web using Ordnance Survey information. The service underwent rigorous testing by a dedicated set of developers before being released to the public. Users can add markers, lines and polygons on top of our mapping, search for place names with a gazetteer and display other location data from elsewhere on the Web. As well as the mash-up facility itself, OS OpenSpace includes a community website so developers can discuss, review and collaborate on projects.

The Minister responsible for Ordnance Survey, Iain Wright MP, says: *'In launching OS OpenSpace, Ordnance Survey is taking a lead in providing greater access to public information. The launch will allow others to innovate using geographic information, with confidence in the national consistency and currency of the data they use.'* The Cabinet Office Minister, Tom Watson – the UK's first Parliamentary blogger – described the launch as a 'brave step' in embedding mash-ups into government thinking.

Our move has also been welcomed by Steve Coast, founder of OpenStreetMap. He says: *'This represents one of the most significant releases of a mapping data API (application programming interface). It will be interesting to see what web developers do with it.'*

## From archaeology to geography and zoology

Students, staff and researchers at around 150 universities and further education colleges were given online access to OS MasterMap, our most detailed geographic information of Britain.

The information is available to support learning and teaching at all institutions subscribing to the Digimap® Ordnance Survey Collection service. Digimap enables users to download information – free at the point of use – into suitable application software on their own desktops. It supports a vast range of studies, from archaeology to geography and zoology.

Digimap is funded by JISC, the Joint Information Systems Committee, and provided by the EDINA national data centre based at the University of Edinburgh.

*'The addition of OS MasterMap to our service offers a wonderful opportunity for our users,' says David Medycky-Scott, Research & Geo-data Services Manager at EDINA. 'Seamless geographic information offers an ideal means to integrate different data sources and help students and researchers open up new areas of study and expand existing ones. OS MasterMap can now be incorporated in teaching and learning materials, including course packs, lecture notes, presentations and virtual learning environments.'*

## Support for partners

Our partner programme allows commercial organisations to license our information to create value-added products. This is exactly how our road network data is embedded in satellite navigation products, for example.

This year we announced a new tiered Accreditation Scheme as part of our wider Partner Alliance Programme. The scheme, which came into effect in April 2008, will make it easier for interested organisations and businesses to take the first step on the partner journey. The scheme includes technical consultancy, marketing support and use of Ordnance Survey facilities for conferences and other meetings.

In summer 2007 we held our biggest ever partner conference, recognising many different companies with a series of awards for innovative products and services. Those honoured were Garmin®, AA®, Leica® Geosystems, GroundSure®, the online local search provider Whereonearth®, and Team Warrior, a software and services provider to the satnav industry.

## Highlighting the benefits of OS MasterMap

For all our business customers we must add value as a reliable component of their information structures. We are planning a series of improvements to OS MasterMap, already an integral part of many customer databases. The plans include freight routes, pedestrian-led information, environmental attributes and additional address categories, such as buildings under plan but not yet built.

We are also completing the migration of customers to OS MasterMap, so supporting the growing need for geographic information to work with the database world. We announced to customers and technology partners that we would withdraw the legacy product Land-Line on 30 September 2008. The decision followed a public consultation designed to explore the impact of product migration in market sectors such as local government, utilities, and land and property. The feedback reflected growing recognition of the benefits of moving to OS MasterMap, such as easier data association, faster updates, seamless coverage and cost efficiencies in data acquisition and management.

During the year we held a series of one-day seminars across Great Britain specifically to help local authorities and the emergency services get the most out of OS MasterMap. Tracy Lister of Walsall Metropolitan Borough Council comments: *'The OS MasterMap seminar went back to basics to show how we could use the intelligent data which is already available to add value to other parts of our business.'*

Brian Garner of Liverpool City Council, who attended a seminar in Chester, says: *'The seminar reinforced some ideas which I already had and also helped generate several new ones as well as where OS MasterMap can be utilised across the council.'*

## The Ordnance Survey Outdoors Show

We sponsored the popular The Ordnance Survey Outdoors Show at the Birmingham NEC, showcasing products from us and our partners. It was a chance for us to promote paper maps, satellite navigation products and the web 2.0 community website *explore*. There were also navigation workshops for map readers of all abilities. The show attracted around 40 000 visitors and was opened by the mountaineer and television presenter Bear Grylls.

We sponsored the popular The Ordnance Survey Outdoors Show at the Birmingham NEC, showcasing products from us and our partners.



We delivered mapping support to emergency planners managing the evacuation of hundreds of people from homes at risk of flooding.



Image: concert photography

## Information relied on by government, business and individuals

### Tackling the floods

Our information played a supporting role in the emergency response to the severe flooding in summer 2007 that affected large parts of central and southern England.

Our Mapping for Emergencies team delivered a variety of digital data free of charge to local-authority staff, fire and rescue services, and contractors working for water utility companies.

In one instance the data – delivered within three hours of the initial request – was used to help map the locations of nearly 1 000 freshwater bowsers being distributed across the Severn region by a fleet of tanker drivers. Pinpointing and sharing the temporary positions of the bowsers was crucial for delivering refills and managing transport logistics.

We also provided the mapping base for overlays of aerial images and road-traffic data as different agencies and incident-response teams visualised the extent of current and potential flooding and gauged optimal rescue routes. One of the key scenarios was evacuation planning around the Castle Meads power station in Gloucester.

Earlier in the summer we delivered mapping support to emergency planners managing the evacuation of hundreds of people from homes at risk of flooding in South Yorkshire. Help was needed to assess the potential extent of flooding around the Ulley dam near Rotherham. We supplied our spatial address and digital height data so that the planners could identify properties within specific height bands, offering a sound basis for determining risk and priorities for evacuation.

Following the summer floods, we invited representatives from the insurance industry to a special 'question time' event, focusing on the potential for geographic information to support both risk assessment and longer-term catastrophe planning. This was useful in raising awareness of Ordnance Survey among insurers. We also provided input to a review by Sir Michael Pitt of lessons learned from the floods.

### Mapping for Emergencies

Under our 24-hour Mapping for Emergencies scheme, we aim to provide an immediate combination of mapping and expertise in response to major civil emergencies such as floods, fires, contamination leaks, disease outbreaks and in searches for missing people. Coordinators and volunteers work closely with emergency services and other agencies to ensure the most appropriate data is supplied as quickly as possible. We bear the cost of the service, which we provide in the national interest.

### Combating climate change

Haringey Council used our information this year as part of a scheme to map the energy efficiency of the London borough's buildings. The results of an aerial thermal imaging survey were plotted against our mapping to assess the heat loss from individual buildings. Visitors to the council website can pinpoint their own homes and offices to see the level of heat loss and decide if they need better insulation or other energy-saving techniques.

Other local authorities are also using our information for environment-led activities. Brian Dougherty of Durham County Council's Corporate GIS Unit says the data accuracy has enabled the council to re-evaluate a wide range of issues such as car mileage claims, waste management and the optimisation of mobile libraries. *'This has the potential to deliver substantial cost savings to the Council as well as reducing the environmental impact of vehicle emissions,'* he says.

Simon Hume, GIS Officer at Daventry District Council, says Ordnance Survey information *'...has made it possible for us to optimise existing refuse rounds and minimise the requirement for new ones. As a result, we expect to achieve savings of around £25 000 per year.'*

Image: Courtesy of IRT Surveys Ltd. [www.irtsurveys.co.uk](http://www.irtsurveys.co.uk)



### Supporting council transport services

Redditch Borough Council and Hampshire County Council are taking advantage of our detailed road network information to help them run demand-led community services. The information helps council staff and their contractors to assess journey booking requests and select the most appropriate and efficient routes. Peter Rose, Redditch Dial-a-Ride Manager, says: *'We can now do 25% more journeys with the same number of vehicles by optimising the routes. This results in significant improvements in the service for our users. We've also reduced fuel consumption whilst increasing fare income by 25%.'*

East Riding of Yorkshire Council uses Ordnance Survey information to improve the efficiency of school buses. In the past, certain bus routes were not running to full capacity while others were overfull. *'Overlaying our information onto Ordnance Survey data was invaluable,'* says Andy Elliott at the Council. *'It allowed us to look at our home-to-school transport system as a whole network rather than a series of isolated routes. This made identifying areas of improvement a lot easier.'*



Image: Redditch Borough Council

### Improving emergency response

To help ensure that their fire fighters are in the right place at the right time, Norfolk Fire and Rescue Service is among many fire services across the country that are taking advantage of our information.

Linda Davis, Control Room Manager, says the command and control solution supported by Ordnance Survey helps operators identify the exact location of an incident. *'It enables us to deploy the most appropriate available resource to an incident as quickly as possible,'* she adds.

### Managing street works

Utility companies are using our information to help manage and coordinate street works. One system based on our data was trialled during the year by National Grid, Thames Water and the London Borough of Camden. It allows utilities and highways authorities to record notices of intended works – and send them to one another electronically.

Scott Hutchinson of the system developer Symology says: *'To have OS MasterMap as a core component ensures that works promoters can accurately plot their works on the map – and send accurate coordinate information. The system also benefits local authority traffic managers because they can view all ongoing works and potential conflicts.'*

### Helping sustainable development

We are working with organisations involved in developing the Thames Gateway, including architects, house builders, wildlife trusts and development partnerships. Our aim is to highlight the benefits of geographic information to them and their customers.

We exhibited at the Thames Gateway conference and produced a special edition paper map focusing on recent progress in planning and development in the region. It was the result of several partners keen to share their own distinct data about this diverse area and present it in a geographic context. We overlaid details from the Thames Gateway Executive, Natural England, English Heritage®, the Environment Agency® and others on our latest mapping.

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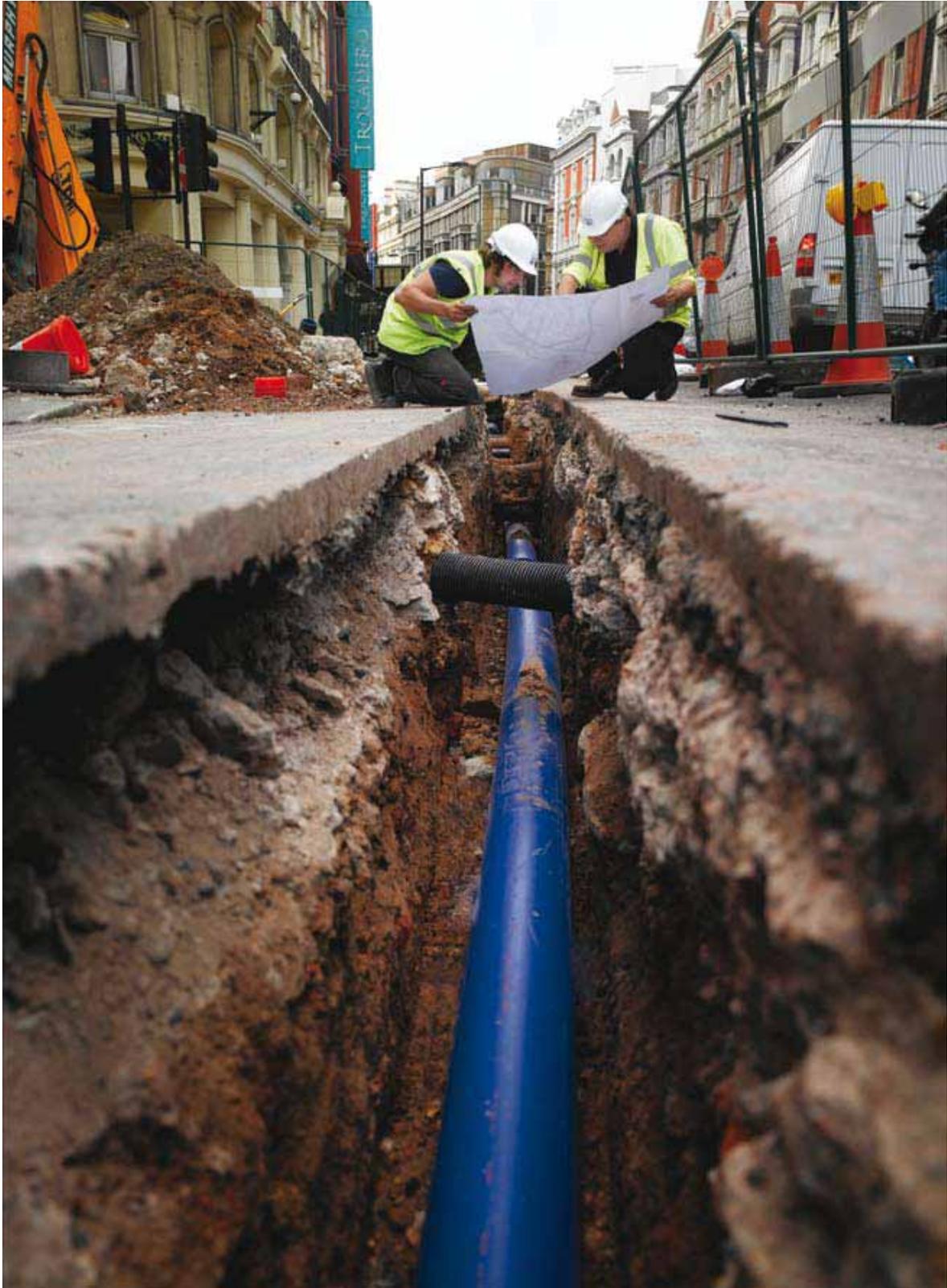


Image: Thames Water pipe replacement in London

The final maps in a programme to revise every OS Explorer Map for Scotland hit the shelves following extensive revision of the series.



## Collecting, maintaining and portraying the official record

We provide comprehensive, nationally consistent geographic information – the official record of the natural and built environment of Great Britain. We offer a range of scales and datasets supporting customers and the public good. As well as detailed topographic mapping, our information includes high-resolution address data, transport networks (such as road, rail, waterways, tracks and paths), terrain and height data, imagery and boundaries.

Our information is delivered digitally and on paper, both directly from us and through our partner community.

### Revision complete

The final maps in a programme to revise every OS Explorer Map for Scotland were published following extensive revision of the series.

All 160 Scottish titles have been updated and reissued – giving outdoor enthusiasts access to the most up-to-date paper mapping of Scotland available.

At a scale of 1:25 000 (4 cm on the map equals 1 km on the ground), the level of detail includes every hamlet, town, road, glen and hill contour, making the maps ideal for outdoor enthusiasts.

### Durable and weatherproof

Ordnance Survey maps are among Britain's best-loved leisure companions. The OS Landranger Map is viewed by many as an ideal tool for planning trips out, while the OS Explorer Map is seen as the essential map for outdoor activities on arrival at a leisure destination. During 2007, we published 25 sheets of the OS Landranger Map series' most popular titles in a highly durable version – a choice already available for OS Explorer Maps.

The weatherproof variety of these 25 sheets, called OS Landranger Map – Active, keeps the familiar scale of 1:50 000 (2 cm on the map equals 1 km on the ground). Thanks to an enhanced finishing process, these tougher, more versatile versions have a lightweight protective plastic coating that can be written on to highlight favourite routes. Like their OS Explorer Map – Active counterparts, they offer more choice for map users planning trips regardless of the weather.

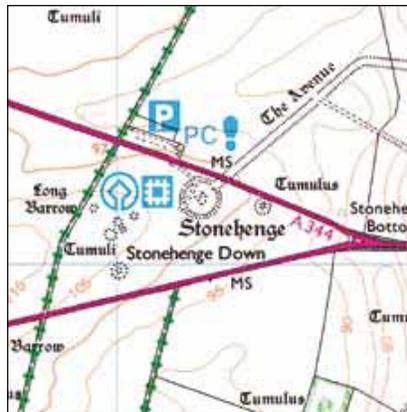
## Highlighting Britain's heritage

In celebration of the country's magnificent built and natural landscape, we have added new symbols to our most popular map series – highlighting Britain's World Heritage Sites.

There are 23 sites in all, including Canterbury Cathedral, Hadrian's Wall and the city of Edinburgh.

OS Landranger Maps, OS Explorer Maps and OS Travel Maps – Road and Tour – now display the whereabouts of these outstanding national assets using a new blue tourist symbol based on the World Heritage logo.

David Wright MP, Chair of the All Party Group on World Heritage Sites, says: *'I am delighted that Ordnance Survey has decided to raise the profile of World Heritage Sites in Great Britain, by identifying them not only on the actual map but also in a prominent position on the cover of their published OS Landranger Map and OS Explorer Map series.'*



## Addressing the nation

OS MasterMap Address Layer 2 provides a highly accurate and up-to-date link between every property address and its location on the map. Nationally, it includes geographic references and classifications of millions of postal addresses, multi-occupancy addresses and non-addressable properties.

There are more than a million properties that do not have postal addresses, known as non-addressable properties. Among them are utilities' plant, community halls, churches and public conveniences. Their locations are vital for emergency response, civil contingency planning, risk assessment, asset insurance, planning, customer services and maintenance. These are all included within the data.

To build and maintain Address Layer 2, our head office-based data collectors and our field surveyors across the country add high-resolution geographic references to around 27 million postal addresses. We use on-the-ground GPS survey, aerial imagery and various other techniques to establish precise coordinates for each address and match this to the property on the map. This effectively joins up postal and topographic geography – creating a fixed link between the property and its address.

In addition, the layer includes a new Royal Mail® dataset of multiple residences, which provides complete address details of flats and apartments without individual postal delivery points.

Planners at Thurrock Thames Gateway Development Corporation – the strategic development control authority for the Borough of Thurrock – have begun using Address Layer 2 to ensure effective public consultation. The intention is to gauge public opinion on major plans for the local area.

*'We are particularly interested in multi-occupancy addresses and those without a postal address to ensure consultation documents are targeted in the most optimal way to residents,'* says James Bompas, Technical Officer at Thurrock Thames.

## In the right direction

In a bid to reduce congestion, local authorities are encouraging hauliers to use roads more suitable for transporting freight. Councils are producing maps highlighting specially recommended routes.

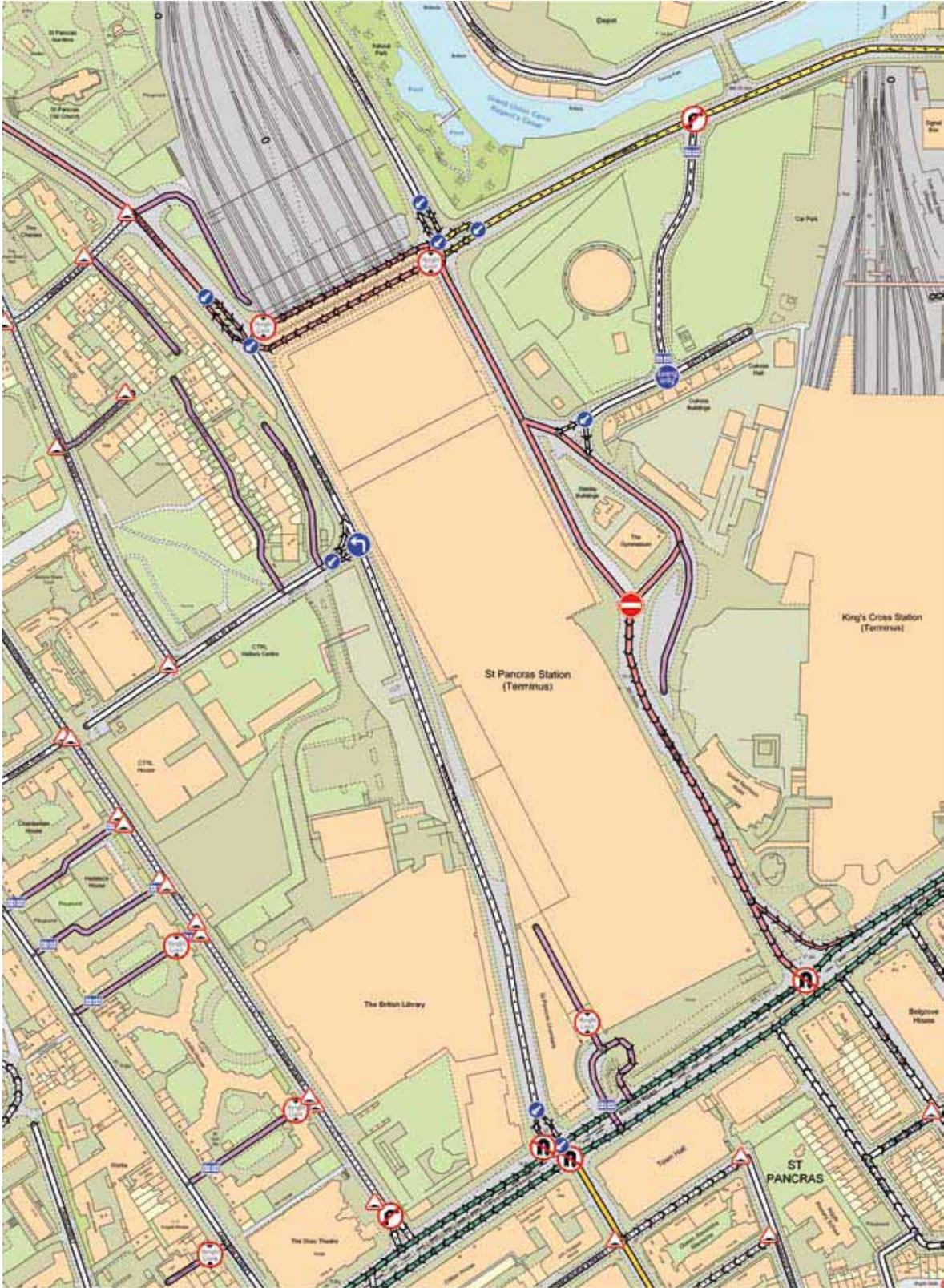
To support better route planning by hauliers and others, we have enhanced our road network data. OS MasterMap Integrated Transport Network™ Layer is the basis for many of the satnav devices on the market and now contains road restriction information for the whole of Great Britain.

Donald Armour of the Freight Transport Association welcomes the developments: *'HGV drivers becoming stuck up unsuitable roads creates a bad image for our industry, disrupts delivery schedules and causes inconvenience to local residents. The ability to select routes for heavy lorries, bearing in mind vehicle width, height and length restrictions, will be a huge benefit to all parties concerned.'*



Image: © Epcot Images / Alamy

OS MasterMap Integrated Transport Network Layer contains road restriction information for the whole of Great Britain and is the basis for many of the satnav devices on the market.



## Britain from above

We have made 100 000 km<sup>2</sup> of new and updated aerial photography available to customers over the last 12 months.

Offering seamless coverage of Great Britain, our OS MasterMap Imagery Layer is orthorectified. This means that the colour-balanced, high-resolution imagery reflects the position of features at ground level without distortion. It also ensures alignment with all the other layers in the OS MasterMap family.

An intense period of imagery production has followed a successful flying season. With the introduction of an advanced digital air camera and a more integrated approach to data capture and processing, we have made dramatic improvements to the currency of our imagery during the last year.

Accurate and high-quality aerial imagery adds a compelling visual dimension to a varied range of applications – including land registration, forest management, planning, event management and major-incident response.

In addition to local authority and utility customers, OS MasterMap Imagery Layer is relied on by several key government departments, including the Forestry Commission, Registers of Scotland and Scottish Natural Heritage.

Rhona Elrick of Registers of Scotland says: *'Aerial photography provides a valuable aid in the land-registration process by helping us assess the occupation, nature and usage of the land. Registers of Scotland identified OS MasterMap Imagery Layer as providing the best balance between value for money, coverage and currency to fit our needs.'*



## A different perspective

Pictometry® oblique imagery provides an instantly available, 'off-the-shelf' dataset – offering high-resolution 15-cm imagery. We are the exclusive distributor in Great Britain.

Every feature on the landscape can be viewed and interrogated from up to twenty different angles. This allows for the visualisation of information such as the number of floors a building has, its entry and exit routes and surrounding objects not always obvious from traditional aerial photography.

Access to multiple perspectives is particularly useful for law enforcement, emergency response, planning departments, insurance companies and others in need of a detailed view of the elevation and context of a building or location.

We are the first to offer this oblique imagery for the whole of London, offering a revolutionary new perspective of the capital. More than 3 000 km<sup>2</sup> of data covering all London boroughs were made available for immediate supply.

With an ever-increasing number of towns and cities captured, Pictometry oblique view imagery has attracted interest from local authorities and emergency services across the entire country.

Gloucestershire Constabulary, the London Boroughs of Kingston upon Thames and Sutton, and the city councils of Portsmouth and Wolverhampton are just a handful of the customers already taking advantage of this unique reference tool.

Oblique imagery is available for the whole of London from Ordnance Survey and offers a revolutionary new perspective of the capital.



Image: BLOM Aerofilms

## Currency and accuracy

It is easy to imagine that the landscape changes very slowly; hills are rarely reshaped and the building of a new motorway is a major event. But every year we measure and record more than a million changes to the British landscape. They include new houses, road junctions, tracks and paths, industrial buildings, tree plantations, demolitions and quarrying.

Our surveyors pinpoint locations at ground level by using Global Positioning System (GPS) receiving equipment to ensure new features are properly mapped out in precise relationship to existing developments.

Information gathered by ground staff is complemented by an intensive programme of stereoscopic aerial photography which can be viewed in 3-D; particularly effective when checking the lie of the land. The resulting high-definition photographs show details as sharp as the pattern of white lines on roads.

Our Ministerial target is to represent 99.6% of significant real-world features in our database within six months of completion. In practice, many are captured much faster than that. Our actual performance this year was 99.9%.

This year we began a new programme to systematically update the most detailed mapping of rural Britain, so potentially benefiting hundreds of government departments, local authorities and other organisations with an interest in topographic change. We are now collecting physical changes across rural, mountain and moorland landscapes in line with currency levels based on new, more integrated ways of working.

The move reflects the development of data-capture processes increasingly driven by change intelligence and informed by, for example, population density, plans for new housing and roads, and other sources of statistics.

The programme follows the successful completion of a six-year nationwide initiative to align the absolute accuracy of previously surveyed mapping data in rural areas with today's GPS technology.

The key aim of the programme is to improve a process called 'cyclic revision' in rural areas. This has traditionally involved systematic aerial photography 'sweeps' at intervals of either five or ten years.

Under the programme:

- All primary features, such as residential, industrial and transport infrastructure developments, will continue to be surveyed within six months of completion.
- A varying 2–10 year programme of cyclic rural revision will maintain all secondary features such as field boundary changes and small non-residential buildings.
- All areas of Great Britain will be revised in a more integrated programme. Populated or rapidly changing rural areas will be revised more frequently than previously, with remote areas still being revised at least once every 10 years. Revision intervals may vary according to patterns of known change and customer need.

The programme will ensure that the most relevant methods are used to collect information about specific types of features in different areas.

The overall result will be that many areas are revised as, or more frequently than, before, with those areas experiencing most change being revised every two years. A small number of areas, where there is a lack of change to secondary features, will be revised less frequently. However, even in those areas continuous revision through ground survey collection processes will ensure that significant change such as new buildings and roads will still be captured within the six-month target as now.

*'As the national mapping agency, we are constantly striving to improve the quality, currency and content of geographic information across the whole of Great Britain,' says Neil Ackroyd, our Director of Data Collection and Management. 'Our investment in new, integrated processes and technology means we now have more sources of intelligence about where and when change will occur in the landscape. This information allows us to meet customer need more effectively through better targeting of both aerial photography and ground survey.'*



Every year we measure and record more than a million changes to the British landscape.



Image: Highways Agency

### Investment in data quality

Our goal of ensuring world-class standards in data collection and management won industry recognition this year. It followed the rolling out of an accreditation initiative designed to ensure contractors embed quality at the point of production.

Such was the success of the project, we expanded it to include all in-house production processes in our Data Collection and Management Business Group. The approach is to allow all parties involved in production to monitor 'fitness for purpose' from inception through to delivery.

We were invited to submit the methodology for inclusion in the body of documents supporting geographic information held by the International Standards Organisation (ISO). This recognition means the principles behind our programme management can benefit other data providers and contractors on an international scale.



### Improving our coordinate system

Our underpinning geodetic framework, the coordinate system on which our measurements are made, is computed to rigorous technical standards. The network is monitored daily to ensure quality and we use international conventions when measuring geodetic accuracy. However, we continually look to improve and this year took forward plans for a new local height model and a national sub-network of 12 rock-anchored geodetic receivers to improve positioning still further.

We hosted a symposium in London in association with The Royal Institution of Chartered Surveyors (RICS®), highlighting the latest developments in geodetic information across Europe. It attracted more than 120 delegates from universities, research centres and the national mapping and cadastral agencies from 30 countries. On the agenda were developments with European-wide systems and multinational projects that require precise georeferencing.

Because we collect and maintain our data to a unified, national specification, our datasets can support the joining up of geographic and other kinds of information for consistent decision making anywhere in the country. This is the principle behind our support for the Digital National Framework, a set of principles and operational rules that can facilitate the integration of multiple data sources. The vision for DNF is to enable and support easy and reliable linking of business and geographic information regardless of who is responsible for its maintenance and where this is undertaken. The goal is to achieve 'plug and play information'. This is the basis of various collaborative projects we are involved in. They include the Atlantis Initiative, looking at better flood management, and a project in the utilities sector to identify and visualise buried infrastructure so that street works operations can be better coordinated.

Collaborative projects we are involved in include the Atlantis Initiative, looking at better flood management.



Image: concert photography

Kate Adie OBE, the internationally renowned BBC® reporter, opened the Cambridge Conference, a gathering of national mapping organisations that we host every four years.



## Stakeholder engagement

### Free maps for 11-year-olds

Our ongoing offer of a free map for every 11-year-old pupil in Great Britain saw increased take-up, challenging fears of a decline in the popularity of geography as a school subject.

More than 9 out of 10 local authority schools received free maps, up 2% from the previous year, with just over 700 000 children benefiting. We have now distributed 4.4 million maps since the initiative began in 2002. Feedback from pupils, parents and teachers shows that the maps are an invaluable extra resource for classroom exercises, homework, projects and fieldwork.

The latest figures were announced at a special House of Commons reception to celebrate the teaching and learning of geography. The Speaker of the House of Commons, Michael Martin MP, and the television presenter Michael Palin joined educationalists, geographers and MPs at the reception. The aim was to promote the Action Plan for Geography, a two-year programme of support for geography in English schools led jointly by the Geographical Association and the Royal Geographical Society (with IBG). Our free-maps initiative reflects the action plan's vision of ensuring pupils enjoy and succeed in geography.

In a competition linked to the free maps initiative, a dozen schoolchildren from across Britain spent a day with Channel 4's archaeology programme, Time Team. They helped discover the remains of a Roman villa in Gloucestershire. Time Team makes considerable use of our mapping.

*'It's great to have the support of Ordnance Survey,' says presenter Tony Robinson. 'Our experts rely on them to help me and the viewers understand the context of our sites – you can only usually work out why things are where they are by studying the maps.'*

### 21st World Scout Jamboree

We ran a series of hands-on map-reading and navigation sessions at the 21st World Scout Jamboree in Chelmsford. The event attracted more than 40 000 Scouts from all over the world, from Beavers to Scout leaders.

It was a further chance to highlight the enjoyment children can have with maps. Activities included workshops on understanding contours, grid references and symbols. We also demonstrated the use of GPS equipment alongside more traditional compass and landmark identification skills.

## International engagement

Ordnance Survey's core business is in Great Britain; but we also remain involved on the international stage. Our history of close cooperation and involvement with many other countries around the world places us in a unique position to contribute to all kinds of developments in geoinformation. The major organisations with whom we are involved include the International Map Trade Association, Open Geospatial Consortium and EuroGeographics.

We have particularly strong links with our counterpart organisations in other countries. Ordnance Survey manages the national mapping organisations (NMOs) website called NMO network, which has been designed to help these organisations share information, discuss issues of mutual interest and catch up on all the latest news. We also receive many requests from organisations overseas wishing to visit Ordnance Survey to learn more about what we do, how we do it and to benchmark. Visits this year have included delegations from Canada, New Zealand, China and Korea.

The Cambridge Conference, a gathering of national mapping organisations that we host every four years, attracted 221 heads and senior officials from 70 countries. They discussed mapping, land management and technology issues of global importance. There were resolutions covering geodetic work in Africa, data collection and management, sharing knowledge through web portals, and engagement with decision makers. Kate Adie OBE, the internationally renowned BBC reporter, opened the event at an English garden party in the historic surroundings of St John's College on the banks of the River Cam.

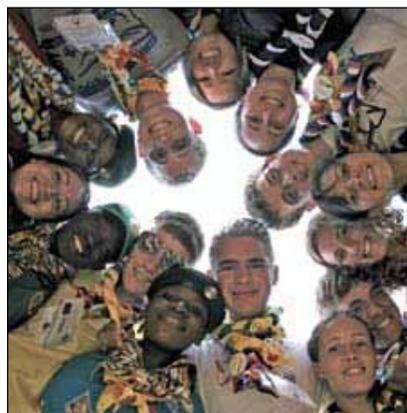


Image: The Scouts Association

## Local government

Our data supports a wide range of local-government activity. It helps managers to respond to emergencies, plan for contingencies, process benefit claims, determine school catchment areas, deliver environmental services, and plan transport and road maintenance.

As part of our strong relationship with local government, we are a gold partner of SOLACE, the Society of Local Authority Chief Executives and Senior Managers. We hosted an event at our head office for more than 80 members of the SOLACE Graduate Programme, who are public-sector leaders at an early stage in their careers. They came from across the UK to listen to a wide range of discussions relevant to their development needs.



Image: © terry harris / Alamy

## European Parliament

As the national mapping agency, we represent Great Britain overseas as experts on geographic information. We are supporting plans to implement a spatial data infrastructure in Europe. The vision is to enable greater exchange of geographic information among EU institutions and widen public access. The relevant Directive, called INSPIRE, came into force in May 2007 with transposition into UK law required by May 2009. Detailed implementing rules to accompany the Directive will be adopted between 2008 and 2012 and will come into force between 2010 and 2019. We are working with the UK lead department, Defra, and others to assist in the transposition process.

## Advice to government

Vanessa Lawrence, our Director General is the official adviser to the UK Government on all aspects of survey, mapping and geographic information. During the year, we responded to a number of government consultations, including the Department for Transport's green paper on urban mobility and the Department of Health's work on influenza management. We provided input to the Pitt review on lessons learned from the severe flooding of summer 2007 and we have informed consultations by the Scottish Executive<sup>®</sup> on road safety and development planning.

Through the leadership of our Director General, the government's Geographic Information Panel is seeking Ministerial approval of a location strategy for the UK. The aim is to maximise the benefits of geographic information in applications and services based on reliable data, common standards and sustainable funding. A key priority is to support initiatives such as regional geographic information strategies. Ministers have already indicated that a better understanding of location will be an important factor in moving forward the transformational government agenda.

Our data helps managers to respond to emergencies, plan for contingencies, process benefit claims, determine school catchment areas, deliver environmental services, and plan transport and road maintenance.



Image: © Chris Pancewicz / Alamy

Naomi House children's hospice was our official corporate charity for the year. The hospice offers care to children and young people with life-limiting medical conditions



Image: Naomi House

## Corporate responsibility

We wish to have a positive impact on our staff, our local communities and the wider environment. We aim to operate ethically and honestly and we expect our business partners, contractors and suppliers to do the same.

Our staff participate in our corporate responsibility programme in different ways, including sponsorship, fund-raising activities and voluntary work.

### Corporate charity

Our staff voted to retain the Naomi House children's hospice as our official corporate charity for the year. The Hampshire-based hospice offers care to children and young people with life-limiting medical conditions.

During the 21 months that Naomi House was our corporate charity we raised a total of £21 000. As well as individual and corporate donations, staff held cake sales, raffles and sports events, and even voted to forgo their traditional Christmas chocolates to give a cash equivalent. We also provided support in kind by helping produce newsletters and Naomi House's annual review. As from 2008, our new corporate charity is Hampshire and Isle of Wight Air Ambulance.

### Local community

We have built strong links with several local schools as part of initiatives to develop good relationships with the Southampton community. We have a partnership agreement with Oaklands Community School, which has more than 650 pupils aged between 11 and 16. The aim of the partnership is to enable pupils to learn more about the world of work. Our staff help with training days, focusing on activities such as developing pupils' interview skills. We also mentor pupils, print the school's monthly newsletters and provide space at our head office for award ceremonies.

Eighteen members of Ordnance Survey staff also gave some free time this year to help create a 'healthy growing zone' at The Cedar School, Southampton, which caters for disabled children aged 3 to 16. The volunteers built a raised, wheelchair-friendly vegetable garden with an easy-access path as well as a compost area and flower beds.

*'The work will make a genuine difference to all of our pupils,' says Head Teacher Jonathan Howells. 'As a school for children with special needs, we're always grateful for any additional support that people can give.'*

## Our contribution to a greener future

We wish to reduce our carbon footprint. Through a dedicated working group, we seek to promote continual environmental improvement in our daily operations. Efficient energy management is critical to this. Around half of our electricity requirements are met by our own gas-fired combined heat and power unit. The rest is obtained under a contract where electricity is generated from renewable sources. We therefore exceed government targets designed to ensure all departments obtain at least 10% of electricity from renewables.

Our individual Ministerial target is to reduce carbon emissions from our head office by 29% against a baseline in 2000–01 of 1 656.66 tonnes. To meet the target in 2007–08 we needed to emit 1 176.23 tonnes. In fact we went much further, cutting our emissions to 989.10 tonnes; a reduction of 40%. This success was due to the combined effect of procuring renewable electricity from the grid and good management of our own unit. The import of renewable electricity is considered a zero emissions source and our unit is an effective low-carbon technology due to production of both heat and electricity. There have also been a number of initiatives to encourage more staff to switch off equipment and lights at the end of the working day.

This year we removed all landfill waste bins from under staff desks, so encouraging people to switch to recycling bins for cardboard, bottles, plastics and paper. We prompt staff through training and advice not to waste water. We also urge staff to print emails only when absolutely necessary, use scrap paper for notepaper, and choose double-sided printing and copying.

<b>2006–07 Total tonnes: 747</b>	
Office waste recycled 35%	Non-office recycled 72%
Office waste landfill 65%	Non-office landfill 28%
Tonnage 304	Tonnage 443
<b>2007–January 2008 Total tonnes: 704</b>	
Office waste recycled 24%	Non-office recycled 76%
Office waste landfill 76%	Non-office landfill 24%
Tonnage 262	Tonnage 442

Our site travel plan, now in its fifth year, encourages people to reduce single-car occupancy in their commuting and consider other forms of transport. A series of initiatives have been put in place to support this change, such as cycling, walking and motorcycle promotions. Under our bike purchase plan, staff can save up to 50% on the cost of a new bicycle through tax-free salary deductions spread over a year. Our car-sharing scheme continues to grow with the number of groups up from 107 in 2006–07 to 120 this year.

All new procurement contracts stipulate environmentally friendly ways of working. We expect our contractors to be aware of, and to comply with, relevant environmental standards. We monitor contractor compliance and are prepared to take action to enforce it. We expect contractors to be responsible for their subcontractors' environmental performance.

#### Percentage of single-occupancy car commuting:

Date	% of single-occupancy car commuting
2002–03	61%
2004–05	52%
2005–06	58%
2006–07	56%
2007–08	51%

#### Car sharing

Date	Groups joining	% growth	Total
2004–05	71	100%	71
2005–06	23	32%	94
2006–07	13	14%	107
2007–08	13	12%	120

#### Cycling

Date	Average number of cyclists per day
2003–04	53
2004–05	60
2005–06	79
2006–07	82
2007–08	77

## Health-and-safety management

We received the British Safety Council's International Safety Award for the third year running. The award, which followed rigorous tests by an independent adjudicating panel, recognises our continued commitment to health and safety.

Our aim is to ensure that all our activities are planned, carried out, controlled and directed so that health-and-safety objectives are met and any risk is as low as reasonably practicable. Our commitment requires a clear understanding of responsibilities, effective action by all staff, and continuous support from line managers.

A range of health-and-safety provisions passed into statute during the year, affecting chemical storage and labelling, noise generation, smoking in enclosed spaces, waste equipment removal, road safety and fire regulations. It has been paramount for us to ensure we maintain our knowledge and implement the legislative changes required.

We developed policy documents and recording forms, enabling all staff to find health-and-safety information quickly and easily on our Intranet site. This ensures our surveyors, homeworkers and sales staff have an early opportunity to register any near-miss incidents or accidents quickly, which in turn means our health-and-safety group can follow up and instigate prompt remedial measures. We have also rolled out an online health-and-safety awareness package and held workshops and presentations for staff. Due to the positive feedback, we will continue with further promotions during the coming year.

## **Developing our people**

We wish to provide a working environment that fosters leadership, personal development, innovation and team working. We offer staff an extensive learning and development portfolio, including the Professional Skills for Government programme. We also nurture in-house talent with our Future Leaders programme and our annual performance-review process. We have recently started the implementation of Pathways, our new performance management system. This integrates our business, our vision and our need to adapt in a changing environment. The focus of Pathways is continuous improvement. It aims both to challenge and support individual efforts and to recognise and improve performance. The success of Pathways will pave the way for future work and is integral to supporting a performance culture.

## **Equality and diversity**

Key to developing our people and serving customers is the importance of valuing equality and diversity. For the first time we published specific guidance for staff on assessing the impact of our policies and practices on race, disability and gender. Continuous development of our awareness and training schemes will ensure that our processes, from recruitment through to succession-planning, fall in line with equality legislation and enable us to attract a diverse range of applicants, promote good race relations and attitudes to disabled people, and avoid discrimination.

## **Your Say**

We carried out an employee opinion survey covering issues such as job satisfaction, working relationships, perceptions of corporate leadership and how we individually contribute to customer service. When the results of *Your Say* were released, all directors made a commitment to share them with their teams, acknowledge the successes and make changes where necessary. Among the changes are more 'back to the floor' sessions with senior managers, more guidance on giving and receiving feedback and a programme to improve recognition of individual staff contribution in the business.

## **Our new head office**

Cultural change underpins many of the success factors of projects within Ordnance Survey. Our aim is to drive forward a sustainable customer-focused business culture able to embrace and respond to change. Central to this is our plan for a new corporate head office at Adanac Park alongside the M271 gateway to Southampton, not far from our current location. We received planning approval in a unanimous vote by members of Test Valley Borough Council's planning committee in January 2008. The decision paves the way for a formal granting of planning permission subject to conditions and completion of legal agreements.

We expect the proposed building to be available in 2010. It will offer considerable advantages over the current office, which was designed when business needs and technology were very different to today. Our goal is a modern, energy-efficient building in which we can shape our culture in a tangible way. We aim to create a healthy environment in which staff can develop themselves and contribute to our continuing success. We will do this by listening to our staff and gathering data on their needs and ideas while benchmarking with other organisations so we can adhere to best practice.

# Our Directors

## **Vanessa Lawrence CB**

Director General and Chief Executive

Vanessa is the first woman to head Ordnance Survey and one of the youngest Directors General in its 217-year history. She is a world-renowned expert in how geographical information systems (GIS) can improve decision making at all levels of government and business. Vanessa is the official adviser to the British Government on mapping, surveying and geographic information. She chairs the United Kingdom's ACE Association, the organisation representing Chief Executives of Government Agencies, Trading Funds and Non-Departmental Public Bodies, on behalf of the Cabinet Secretary. She also chairs 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 also holds a number of honorary and representative roles with organisations associated with geographic information. She was appointed as a Companion of the Most Honourable Order of the Bath (CB) in the Queen's 2008 New Year Honours List.

## **Neil Ackroyd**

Director of Data Collection and Management

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

## **James Brayshaw**

Director of Sales and Market Development

James is responsible for the sales and marketing of digital data and paper mapping. He joined Ordnance Survey from the private sector in November 2001, bringing over 15 years' extensive IT technical and consultative sales and marketing management experience. In his former employment he established the UK organisation for a US B2B collaboration and e-commerce web portal solutions provider in 12 months, and launched the brand in an emerging marketplace.

## **Jan Hutchinson**

Director of Human Resources and Corporate Services

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

## **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, with more than 18 years' experience in product management and business development in both the public and private sectors in GIS, LBS and mobile technology. His previous roles include the head of GIS at the City of Amsterdam, and senior product and technical management roles in Geodan, Autodesk® Europe and Intergraph® Europe.

## **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 geographic information. 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.

## **Mark Alexander**

Director of Finance

Mark heads our Finance, Procurement, Corporate Planning and Risk Management teams and our Programme Delivery Unit. He was previously at construction group Bovis Lend Lease®, where he was Chief Financial Officer of its PFI business. Prior to that, he held senior posts in the rail industry as Finance Director for train operator Laing Rail, and in the technology sector for science and engineering group AEA Technology®.

**Our Strategy Board (clockwise from top right):**

Vanessa Lawrence CB, James Brayshaw, Jan Hutchinson, Peter ter Haar, Katherine Innes Ker, Bob Goodrich, Michael Sommers, Neil Ackroyd, Piers White and Mark Alexander.



**Non-Executive Directors**

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

**Katherine Innes Ker**

Katherine is Chairman of Shed Media plc and the Tavistock Trust for Aphasia. Since graduating in chemistry and gaining a doctorate in molecular biophysics at Oxford University®, she has held director roles as a media analyst with both SBC Warburg and Dresdner Kleinwort Benson. She is also a Non-Executive Director of Taylor Wimpey® and of Oakley Capital.

**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 at Entertainment UK and MGM® Cinemas. He is also the acting marketing director for dmg World Media®, the owners of The Ordnance Survey Outdoors Show.

**Piers White**

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

# Corporate governance

As a government department in our own right with Executive Agency status, we report to Parliament through Ministers in the Department for Communities and Local Government.

Our principal governance structure consists of our Strategy and Operating Boards and our Audit and Risk, and Remuneration Committees.

Chaired by our Director General and Chief Executive, our Strategy Board is made up of our Executive and Non-Executive Directors. It focuses on our strategic priorities, overseeing how well we are meeting the remit assigned to us by Ministers. Key to this is the need to monitor the external business environment and challenge internal business performance to ensure our strategy remains relevant and effective.

The Operating Board, also chaired by the Director General and Chief Executive, is made up of our Executive Directors and ensures the practical implementation of the strategy.

The Audit and Risk Committee, comprising our Non-Executive Directors and chaired by Piers White, provides independent assessment of the effectiveness of our internal governance, risk and control processes, supported by Internal Audit.

The membership and responsibilities of our Remuneration Committee are detailed in the Directors' remuneration report on page 41.

# 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](http://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). 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](http://www.civilservicecommissioners.gov.uk)

## 3. The Remuneration Committee at 31 March 2008

The Remuneration Committee is chaired by the Director General and Chief Executive, Vanessa Lawrence, and meets at least annually to agree the remuneration policy and practice for Executive Directors and other senior staff. Piers White and Brian Hadfield (until 13 December 2007), Non-Executive Directors, and Jan Hutchinson, Director of Human Resources and Corporate Services, served on the Remuneration Committee. The Director General and Chief Executive is not present for discussions on matters concerning her remuneration; at these times her place is taken by Jan Hutchinson.

#### 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 Corporate governance section of the Annual Report. The salary and value of any taxable benefits in kind bandings of the directors of Ordnance Survey were as follows:

	Salary 2007–08 including performance pay £'000	Salary 2006–07 including performance pay £'000
Vanessa Lawrence Director General and Chief Executive	195–200	185–190
Neil Ackroyd Director	130–135	125–130
James Brayshaw Director	140–145	135–140
Peter ter Haar Director	95–100	35–40 (85–90 full year equivalent)
Jan Hutchinson Director	120–125	115–120
Bob Goodrich Director (From 29 October 2007)	50–55 ( 110–115 full year equivalent)	–
Mark Alexander Director (From 14 January 2008)	20–25 (100–105 full year equivalent)	–
Alastair Matthews Director (Until 27 August 2007)	60–65 (130–135 full year equivalent)	125–130
Duncan Shiell Director (Until 10 May 2007)	20–25 (95–100 full year equivalent)	95–100

- Salary includes gross salary, performance pay, recruitment and retention allowance and all allowances that are subject to UK taxation. The full year equivalent for new directors does not include performance pay.
- 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 2007–08 Neil Ackroyd and Peter ter Haar each had use of a car under the terms of the Private User Scheme, the respective benefit in kind amounts were £3 000 and £4 300.
- The remuneration of the Executive Directors for 2007–08 includes any bonuses paid in respect of 2006–07. The bonuses payable for 2007–08 are yet to be approved.

## 5. Directors' pensions

	Real increase in pension and related lump sum at age 60	Total accrued pension at 60 at 31 March 2008 and related lump sum	Cash Equivalent Transfer Value (CETV) at 31 March 2007	CETV at 31 March 2008	Real increase in CETV after adjustment for inflation and changes in market investment factors
	£'000	£'000	£'000	£'000	£'000
Vanessa Lawrence Director General and Chief Executive	2.5–5 plus 0–2.5 lump sum	20–25 plus 10–15 lump sum	254	341	37
Neil Ackroyd Director	0–2.5 plus 0–2.5 lump sum	10–15 plus 0–5 lump sum	119	169	26
James Brayshaw Director	0–2.5	10–15	125	176	27
Peter ter Haar Director	0–2.5	0–2.5	8	31	18
Jan Hutchinson Director	0–2.5 plus 2.5–5 lump sum	5–10 plus 20–25 lump sum	120	169	31
Bob Goodrich Director (From 29 October 2007)	5–7.5 plus 15–20 lump sum	35–40 plus 100–105 lump sum	603	786	124
Mark Alexander Director (From 14 January 2008)	0–2.5	0–2.5	0	6	5
Alastair Matthews Director (Until 27 August 2007)	0–2.5	5–10	83	89	12
Duncan Shiell Director (Until 10 May 2007)	0–2.5 plus 0–2.5 lump sum	40–45 plus 120–125 lump sum	931	900	–

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

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 member's 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 in 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.

Remuneration bandings to Non-Executive Directors were as follows:

	2007–08	2006–07
	£'000	£'000
Michael Sommers	15–20	15–20
Piers White	15–20	15–20
Brian Hadfield (Until 13 December 2007)	10–15	10–15
Dr Katherine Innes Ker	15–20	10–15

The inclusion of a Directors' remuneration report containing information about the salary and benefits of the senior managers of Ordnance Survey is a requirement of the Government Financial Reporting Manual (FRM). Please note that the actual salary and benefit details of each Director form the audited elements of this report, as referred to in The Certificate and Report of the Comptroller and Audit General to the Houses of Parliament, which is to be found on page 50 of the Annual Accounts.



Vanessa V Lawrence CB  
Director General and Chief Executive  
26 June 2008

# Foreword to the accounts

## Results for the year

The surplus for the year is £22 548 000 (2006–07: £6 223 000) before interest and dividends. A dividend of £3 713 000 for the financial year ended 31 March 2008 is payable to the Department for Communities and Local Government. See Note 6. The surplus after interest and dividend was transferred to the general reserve as shown in Note 14.

Details of the achievement of the longer-term financial objective are shown in Note 22. Further details are contained in the Annual Report Business review.

## Auditor

The Auditor is the National Audit Office Comptroller and Auditor General. The actual costs of the statutory audit services provided by the National Audit Office for 2007–08 are estimated at £67 000 and provision is included in these Accounts (see Note 4).

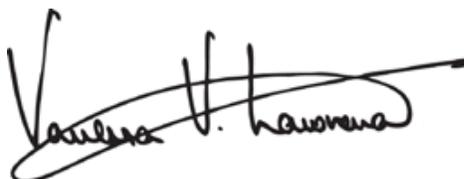
## Company Directorships of Board members with related parties in 2007–08

Disclosed below are the company directorships and other significant interests held by Ordnance Survey Board members, which may conflict with their management responsibilities.

Peter ter Haar and James Brayshaw were Executive Directors of PointX Limited.

Michael Sommers was a Non-Executive Director of the Department for Work and Pensions (DWP) and the acting marketing director for dmg World Media. Brian Hadfield was an Executive Director of Tesselate Limited.

Further details of these directorships and the associated related party transactions in the financial year are set out in Note 19.



Vanessa V Lawrence CB  
Director General and Chief Executive  
26 June 2008

# 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 sound system of internal control that supports the achievement of Ordnance Survey's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money (1).

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 (CLG), 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 at least one meeting each year with the Minister to discuss strategy, performance and risk management.

I have continued to Chair the UK Geographic Information (GI) Panel, which gives high-level advice on key medium- to long-term geographic information issues to CLG Ministers on issues of national importance to the United Kingdom. The major work has been to present to Ministers *'Place Matters: the Location Strategy for the United Kingdom'*. This document is currently awaiting endorsement by Ministers and is being considered for publication by the Minister.

(1) HM Treasury: Managing Public Money, October 2007.

## 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Ordnance Survey policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Ordnance Survey for the year ended 31 March 2008 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 manages a small team, including our Information Security Manager, Risk Manager and Business Continuity team, working across the business to promote continuous improvement and adoption of best practice within the corporate risk-management processes.

We are continually reviewing our risk management framework with the objective of developing a culture to support the effective management of risk while encouraging the controlled risk-taking necessary to deliver the outcomes needed by our customers and partners. We are committed to the ongoing improvement of our risk-management processes and have provided detailed guidance to staff to support our policy, outlining roles and responsibilities and providing a consistent approach to risk management and terminology across Ordnance Survey.

## 4. The risk and control framework

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

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

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

- Strategy Board (Executive and Non-Executive Directors) receives 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 responsible officers on our key investment programmes and the risks influencing successful delivery.
- Risk management committees with responsibility for management, monitoring and reporting of Operational, Information and Business Continuity Management risks. We have implemented a number of additional security measures to provide a higher level of assurance that Information risk, including personal and other sensitive information is being controlled effectively. (2)
- Investment Group acts as the focal point for the management of risks that are part of our financial investments.
- Corporate Programme Board ensures that risks are taken into account in managing the programmes and projects for which they are responsible through the Programme Delivery Unit.
- Business Group management boards review local risks and provide input into the corporate risk reporting process.
- OSARC provides independent assessment of the effectiveness of our internal governance, risk and control processes, supported by Internal Audit.

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 in 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.

(2) HM Treasury DAO – Statement on Internal Control Responsibilities, April 2008

## 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 this system is informed by the work of:

- the internal auditors;
- 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 reports.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Strategy and Operating Boards, OSARC, and the Corporate Programme Board, and plans to address weaknesses and ensure continuous improvement of the system are in place.

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

The Strategy Board, who:

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

- via the Chair confirms that the committee has discharged its responsibilities effectively and in accordance with the terms of reference; (3)
- advise me and the Strategy Board on issues of risk, control, governance and associated assurance;
- review the work and performance of Internal Audit and its 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.

Internal Audit, who:

- operate to Government Internal Audit Standards;
- carry out a risk-based programme of work aligned with the corporate business planning framework and containing the main business processes, projects, assets, performance, legislative and compliance issues significant to Ordnance Survey's strategic direction, business goals and risk environment; and
- provide reports to me, the Board and the 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.

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

The National Audit Office, which provides me with a management 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.

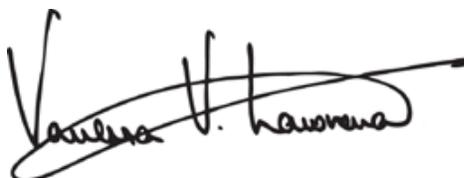
(3) HM Treasury – Audit Committee Handbook March 2007 requirement.

## 6. Audit assurances

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

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

Overall, I consider there are no significant areas of control weakness within Ordnance Survey. Considerable progress has been made during the year to strengthen the risk-management framework. Work has continued during the year to improve risk awareness and ownership; and the effective operation of the risk committees has increased our focus on risk management, providing additional support for the review of risk at Board level.



Vanessa V Lawrence CB  
Director General and Chief Executive Officer  
26 June 2008

# The certificate and report of the Comptroller and Auditor General

I certify that I have audited the financial statements of Ordnance Survey for the year ended 31 March 2008 under the Government Trading Funds Act 1973. These comprise the Operating Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. 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, the Director General and Chief Executive and Auditor**

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Director General and Chief Executive's Overview and the Management Review, is consistent with the financial statements. I also report whether, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

I review whether the Statement on Internal Control reflects Ordnance Survey's compliance with HM Treasury's

guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of Ordnance Survey's corporate governance procedures or its risk and control procedures.

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

## **Basis of audit opinions**

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

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

## **Adverse audit opinions**

Ordnance Survey's turnover of £119 million derives principally from the exploitation of data held in its National Geographic Database, the creation of which has been funded by the past investment of public funds. As

disclosed in Note 1.7 to the accounts, Ordnance Survey has not capitalised the cost of setting up and maintaining the geographic data in its balance sheet. In Ordnance Survey's view, the data is an intangible fixed asset that does not meet the conditions for capitalisation set by Financial Reporting Standard 10. In my opinion, the data held is a tangible fixed asset that should be capitalised in accordance with Financial Reporting Standard 15. Had this data been capitalised, we consider that the effect would have been to increase the tangible fixed assets included in the Balance Sheet at 31 March 2008 by a material amount.

**In my opinion:**

- In view of the effect of the decision not to capitalise the geographic data held as a tangible fixed asset in accordance with Financial Reporting Standard 15, the financial statements do not give a true and fair view of the state of Ordnance Survey's affairs as at 31 March 2008 or of its surplus for the year then ended;
- In all other respects, the financial statements and the part of the Remuneration report to be audited have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder; and
- Information given within the Annual Report, which comprises the Director General and Chief Executive's overview, the Management review and the unaudited part of the Remuneration report is consistent with the financial statements.

**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.

**Report**

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

T J Burr  
Comptroller and  
Auditor General  
July 2008

National Audit Office  
151 Buckingham Palace Road  
Victoria  
London  
SW1W 9SS

**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 qualified my opinion on Ordnance Survey's accounts in each of its nine years as a trading fund due to my disagreement with Ordnance Survey's decision not to capitalise the geographic data ('the data'). The detailed reasons for my disagreement with respect to the accounting treatment of the data are set out in my report on the 1999–2000 accounts (HC 26, 2000–01). My report on the 2001–02 and 2004–05 accounts (HC892, 2001–02 and HC 84, 2004–05 respectively) informed Parliament of subsequent developments which I considered to be relevant to the debate over appropriate accounting treatment for the data. These developments concern changes in accounting standards and enhanced disclosure in Ordnance Survey's annual report and accounts regarding the importance of the data.
3. The purpose of this report is to provide an update on the situation since my predecessor's last report was issued in 2004–05.

### The National Geographic Database

4. Over many decades Ordnance Survey has created, and continues to maintain, the data as a definitive computerised map of Great Britain. Ordnance Survey's main remit is the maintenance of the National Geographic Database and the provision of products and services from it and hence the data is of central importance to Ordnance Survey's business. In 2007–08 Ordnance Survey's turnover was £118.2 million, derived principally from the exploitation of the data. As well as generating revenues directly for Ordnance Survey, the data is used by commercial and public organisations to generate significant revenue.

### Disagreement over the accounting treatment applied to the National Geographic Database

5. The data itself should be distinguished from the database management system, that is the software and hardware on which it is stored. In accordance with Financial Reporting Standard 15 'Tangible Fixed Assets', Ordnance Survey capitalises the database

management system as a tangible fixed asset in its accounts. No value is attached in the Balance Sheet to the data nor to the costs of re-engineering and updating the data. Instead, ongoing costs of maintaining the data are charged to the Operating Statement as incurred.

6. The accounting treatment applied to the data reflects Ordnance Survey's view that the data is a collection of information akin to intellectual property and, as such, is an intangible fixed asset. Financial Reporting Standard 10 'Goodwill and Intangible Assets' requires that internally generated fixed assets are capitalised only where there is a readily ascertainable market value evidenced by an active market in similar assets. As the data is unique and has never changed hands, Ordnance Survey considers that no value could or should be attached to it in the financial statements.
7. Ordnance Survey also considers that the revenue stream generated by the data is dependent upon the currency of the information held and that the level of currency required by its customers can only be sustained through a programme of continual revision. Ordnance Survey does not therefore currently regard its data as having a sufficiently long depreciable life to warrant capitalisation.
8. My decision to qualify Ordnance Survey's accounts in 1999–2000 and subsequent years reflects my opinion that the accounting treatment applied to the data should reflect the past investment of public funds in that data. This past public investment should, in my opinion, have been reflected in the public dividend capital and net assets vested in the trading fund at its inception on 1 April 1999. After taking professional advice on the valuation of the data my opinion was that there was a material understatement of capital employed in Ordnance Survey's accounts.
9. My opinion remains that the data is an accurate representation of a physical reality that is not affected by opinion, taste, judgement, reputation or belief. Under the provisions of Financial Reporting Standard 15 I consider that the data would be more appropriately accounted for as a tangible fixed asset and should be capitalised.
10. Furthermore, I consider that the data is analogous to internally generated software, which is also data held in electronic form. Treasury guidance and Financial Reporting Standard 10 require the capitalisation of internally generated software, recognising that it represents expenditure that is of continuing use in a business and which supports the generation of future economic benefits.
11. Abstract 29, issued by the Accounting Standards Board's Urgent Issues Taskforce in February 2001, requires website content costs (being expenditure

incurred on preparing, accumulating and posting the website content) to be capitalised to the extent that the expenditure is separately identifiable and leads to the creation of an enduring asset delivering benefits at least as great as the amount capitalised. I consider that there is a clear analogy between expenditure on website content costs incurred to secure the future revenue generating capacity of an entity's website and the costs of collecting and engineering Ordnance Survey data to ensure the currency and future revenue generating capacity of the data.

### Subsequent developments

12. There have been no changes to accounting standards since 2004-05, which address issues relevant to the consideration of the accounting treatment for the Ordnance Survey data. For this reason I am again issuing an adverse opinion on the 2007-08 accounts in respect of the decision not to capitalise the data.
13. Ordnance Survey continues to believe that current accounting standards do not support the capitalisation of the data in its accounts. However the Finance Director's report accompanying Ordnance Survey's accounts recognises that Ordnance Survey's financial statements, in common with many other businesses, fail to adequately represent the underlying value of the organisation, notably the recognition of its intangible assets. The report urges readers of the financial statements to take account of the database when seeking to understand the true value of the business and the asset base used to generate current and future revenues. The Financial review contained in the Management review draws the reader's attention to Note 1.7 to the accounts.

### Future developments

14. The 2008 Budget announced that, from 2009-10, the accounts of central government departments and entities in the wider public sector will be produced using international financial reporting standards (IFRS), as interpreted for the public sector by HM Treasury in a IFRS-based Financial Reporting Manual (iFReM). In response, Ordnance Survey has already made significant progress in planning for this change by carrying out an assessment of the impact of IFRS on its financial statements. Ordnance Survey recognises that International Accounting Standard 38 (Intangible Assets) applies different criteria to recognising intangible fixed assets than the existing Financial Reporting Standards. Accordingly, from

2009-10 Ordnance Survey proposes to capitalise development expenditure on the data and will carry these costs on its balance sheet as an intangible fixed asset in accordance with IAS 38 as interpreted by iFReM. However, the qualification issue will continue to apply until the introduction of IFRS.

### Conclusion

15. I have qualified my opinion on Ordnance Survey's 2007-08 accounts because of my continuing disagreement with Ordnance Survey's decision not to capitalise the data. In my opinion the failure to capitalise the data results in a material understatement of capital employed in the Balance Sheet.
16. Ordnance Survey considers that the accounting treatment it has applied to the data conforms to both current accounting standards and standard practice amongst businesses that generate revenues from databases and information collections. Until the current accounting standards change, it does not intend to revise its accounting treatment. Once IFRS are applied to its accounts from 2009-10, Ordnance Survey does propose to amend its accounting policies to reflect the new criteria for asset recognition and to capitalise elements of the data. Ordnance Survey continues to make disclosures in the financial statements which draw readers' attention to this important asset.

T J Burr  
Comptroller and  
Auditor General  
July 2008

National Audit Office  
151 Buckingham Palace Road  
Victoria  
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# Operating account for the year ended 31 March 2008

	Note	2007-08		2006-07
		£'000	£'000	£'000
<b>Turnover</b>				
Turnover from operating activities	2.1	118 209		115 490
Income from investment property	2.2	531		724
Government grant income	2.3	-		1
			118 740	116 215
<b>Operating costs</b>				
Staff costs	3.3	58 298		57 379
Amortisation of intangible fixed assets	7.1	258		484
Depreciation of tangible fixed assets	7.2	4 523		5 330
Other operating charges	4	33 054		35 162
Other operating charges – exceptional	7.2	-		11 304
Total operating costs			96 133	109 659
Operating surplus			22 607	6 556
Share of operating profit – PointX	8		8	34
Total operating surplus			22 615	6 590
Loss on disposal of fixed assets			(67)	(367)
Surplus on ordinary activities before interest and dividend payable			22 548	6 223
Interest receivable	5	2 142		1 221
Interest payable and financing charges	5	(854)		(742)
Net interest			1 288	479
Surplus on ordinary activities before dividend payable			23 836	6 702
Dividend payable	6		(3 713)	(4 610)
Surplus for the year			20 123	2 092

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

# Statement of total recognised gains and losses for the year ended 31 March 2008

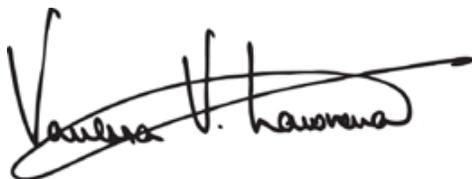
	Note	2007-08	2006-07
		£'000	£'000
Surplus for the financial year		20 123	2 092
Unrealised gain on revaluation of fixed assets	14.2	366	115
Unrealised (loss)/gain on revaluation of investment assets	14.2	(140)	746
Total gains relating to the financial year		20 349	2 953

The notes on pages 57 to 70 form part of these accounts.

# Balance sheet at 31 March 2008

	Note	31 March 2008		31 March 2007
		£'000	£'000	£'000
<b>Fixed assets</b>				
Intangible fixed assets	7.1	232		301
Tangible fixed assets	7.2	58 573		52 650
Fixed asset investments				
– Property	7.3	8 520		8 660
– Other investments – PointX	8	105		95
			67 430	61 706
<b>Current assets</b>				
Stocks and work-in-progress	9	1 889		1 603
Debtors	10.1	15 307		15 036
Prepayments	10.2	1 843		1 744
Cash on deposit	15.4	25 300		12 800
Cash at bank and in hand	15.1	2 064		2 637
		46 403		33 820
<b>Creditors – Amounts falling due within one year</b>	11.1	(25 511)		(25 070)
<b>Net current assets</b>			20 892	8 750
<b>Creditors – Amounts falling due after more than one year</b>	11.2		(133)	(154)
<b>Provisions for liabilities and charges over one year</b>	12		(6 265)	(8 297)
<b>Total</b>			81 924	62 005
<b>Financed by:</b>				
<b>Capital and reserves</b>				
Public Dividend Capital			14 000	14 000
Loans repayable after one year	13		6 214	6 695
General reserve	14.1		43 645	23 367
Revaluation reserve – tangible and intangible fixed assets	14.2		10 391	10 129
Investment revaluation reserve	14.2		7 674	7 814
<b>Total</b>			81 924	62 005

The Accounts were approved on 26 June 2008.



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

The notes on pages 57 to 70 form part of these accounts.

# Cash flow statement for the year ended 31 March 2008

	Note	31 March 2008		31 March 2007
		£'000	£'000	£'000
Net cash inflow from operating activities	15.2		26 269	16 865
<b>Returns on investments and servicing of finance</b>				
Net interest received	16.1	1 757		846
Unwinding of early release discounts	12.1	(510)		(371)
Net cash inflow from returns on investments and servicing of finance			1 247	475
<b>Capital expenditure and financial investment</b>				
Net capital expenditure	16.2		(10 386)	(13 735)
Cash inflow before financing and use of liquid resources			17 130	3 605
Equity dividends paid	6		(4 610)	(2 620)
<b>Management of liquid resources</b>				
Increase in short-term deposits	15.4		(12 500)	(700)
<b>Financing</b>				
Repayment of deemed loans	11.1		(593)	(718)
Decrease in net cash			(573)	(433)
<b>Cash Movement</b>				
Decrease in cash in the year		(573)		(433)
Cash at bank and in hand at 1 April		2 637		3 070
Cash at bank and in hand at 31 March	15.1		2 064	2 637
<b>Reconciliation to net cash</b>				
Net funds at 1 April	15.4	8 149		7 164
Decrease in net cash		(573)		(433)
Increase in liquid resources – Short-term deposits	15.4	12 500		700
Reduction in borrowings – Deemed loans	15.4	593		718
Net funds at 31 March	15.4		20 669	8 149

The notes on pages 57 to 70 form part of these accounts.

# Notes to the accounts

## Note 1 Accounting policies

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

### 1.1 Accounting conventions

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

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

### 1.2 Freehold land and buildings

Land and buildings office premises used in the principal business of Ordnance Survey are subject to a policy of revaluation and carried at current value. Current value is recorded at the lower of replacement cost and the recoverable amount, recoverable amount being the higher of net realisable value and the value in use (calculated using an appropriate risk adjusted discount factor).

The occupied land and buildings office premises are revalued by an external qualified valuer annually on an existing use valuation (EUv) basis. 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 are contained in Note 1.5.

Details of the values included in these accounts are contained in Note 7.2.

### 1.3 Investment property

In accordance with SSAP 19, freehold property held surplus to requirements is carried at an open market value basis. An annual valuation is performed by an

external qualified valuer at the balance sheet date. No depreciation is charged on investment property.

Details are included in Note 7.3 and rental income is shown in Note 2.2.

### 1.4 Other fixed assets

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

### 1.5 Depreciation and amortisation

Depreciation and amortisation are calculated so as to write off the cost or valuation of freehold buildings and other tangible and intangible fixed assets down to estimated residual value by equal instalments over their estimated useful lives. Lives are normally as follows:

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
IT software	3 to 10 years
Software licences	3 to 10 years
Vehicles	4 years

Freehold land is not depreciated.

The depreciation charge for the year on buildings used in the principal business of Ordnance Survey is calculated on the replacement value (see Note 1.2).

For all other fixed assets, depreciation and amortisation charges for the year are calculated on the average asset values for the year (average of values recalculated annually using indices issued by the Office for National Statistics).

### 1.6 Stocks and work-in-progress

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

*Maps* – at the lower of cost and net realisable value;

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

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

### 1.7 Geographic data

The geographic data ('the data' – referred to as the National Geographic Database in previous financial statements) is the term used to describe the suite of geographic datasets that Ordnance Survey collects, develops and maintains to represent as digital and paper products which generate revenue.

The data is an internally generated intangible asset per Financial Reporting Standard 10 and as such can only be capitalised where there is a readily ascertainable market value evidenced by an active market for similar assets. Since the data is unique and has never changed ownership, we consider that no market value can be attached. Costs incurred on maintaining or enhancing the data are charged to the Operating Account as incurred.

The data must be distinguished from the database management systems on which the data is securely held and updated and which are capitalised as tangible fixed assets (see Note 1.4).

### 1.8 Turnover

Turnover is recognised on delivery of goods and services, which comprise mapping data, information, customer-tailored services and copyright revenue (net of trade discount), and is shown net of value added tax (VAT).

Charges made for copyright consist of a combination of upfront payments and usage of the rights granted to the customer.

Copyright licence fees are recognised when the licence holder notifies Ordnance Survey of usage of those rights.

Unpaid invoices for licence fees that relate to periods after the balance sheet date are included in the trade debtors 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.

### 1.9 Pensions

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS); details are outlined in Note 3.3 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.

From 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.

### 1.10 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 2007 have been provided for in earlier years. Funds are released from the provision annually to fund payments for pensions and related benefits to the retired employees until normal retirement age (see Note 12). Under the different funding arrangements which applied between October 1994 and 31 March 1997, 80% of the costs were met centrally from the Civil Superannuation Vote (CSV).

Until 1999, when Ordnance Survey was an on-vote Executive Agency, it made payments to the Civil Superannuation Vote to prefund some of the liabilities

relating to compensation for early release. Some unused balances for future years remain at 31 March 2008 and in accordance with Trading Fund Guidance the provisions and prepayments are shown separately on the Balance Sheet (see also Note 10.2).

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

### 1.11 Research and development

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

### 1.12 Operating leases

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

### 1.13 Taxation

As a Trading Fund, Ordnance Survey is not liable to corporation tax. Tax charges incurred or tax credits received and relating to joint venture undertakings are accounted for through the operating account adjusted for any deferred taxation charges or credits applicable.

### 1.14 Foreign currency transactions

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

## 2. Turnover

### 2.1 Operating turnover

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

The total operating turnover of £118 209 000 for 2007–08 (£115 490 000 in 2006–07) includes nil (£961 000 in 2006–07) in respect of the provision of national interest

mapping to the Department for Communities and Local Government through a services agreement (NIMSA).

### 2.2 Income from investment property

Details of this property are included in Notes 1.3 and 7.3. Rent received in 2007–08 totalled £531 000 (£724 000 in 2006–07). Incentives in the form of rent-free periods are accounted for by spreading the rent receivable on a straight-line basis over either the relevant lease period or a shorter period ending on a date from which it is expected that the prevailing market rental will be payable under the lease.

### 2.3 Government grant income

In 2002–03 Ordnance Survey received a government grant of £7 500 towards the purchase of two official cars powered from surplus electricity generated from Ordnance Survey's combined heat and power system. The amount was spread over five years, with the final £1 500 released to the Operating Account in 2006–07. No further grant income was recognised in 2007–08.

## 3 Staff numbers and costs

### 3.1 Total permanent staff numbers

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

	2007–08	2006–07
Operations	972	997
Sales and Marketing	176	187
Corporate Services	221	226
	<u>1 369</u>	<u>1 410</u>

### 3.2 Total temporary/agency/contract staff

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

	2007–08	2006–07
Operations	231	262
Sales and Marketing	6	8
Corporate Services	11	7
	<u>248</u>	<u>277</u>

The figures for Operations reflect continued investment during the year in quality improvement to prepare data

for further product releases and in the development of an integrated data capture, storage and maintenance infrastructure.

### 3.3 Total staff costs

The aggregate payroll costs were as follows:

	2007–08 £'000	2006–07 £'000
Wages and salaries	40 301	40 543
Social Security costs	3 434	3 431
Pension costs	7 601	7 748
Capitalised labour	(1 456)	(1 876)
Additional early release costs in year (Notes 1.10 and 12)	796	477
	<b>50 676</b>	<b>50 323</b>
Temporary/agency/labour costs	11 474	15 480
Temporary/agency/labour – capitalised	(3 852)	(8 424)
	<b>58 298</b>	<b>57 379</b>

#### Pension costs

For 2007–08 employer's contributions of £7 601 000 were payable to the PCSPS (£7 748 000 for 2006–07) at one of four rates in the range 17.1 to 29.0% of pensionable pay (unchanged from 2006–07), 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 2007–08 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

In 2007–08 there was one retirement on ill-health grounds, amounting to an additional accrued pension liability in the year of nil (in 2006–07 one person retired on ill health grounds).

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

Ordnance Survey staff are members of the following schemes:

#### Classic Scheme

Benefits accrue at the rate of 1/80<sup>th</sup> 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 1/60<sup>th</sup> 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 3/80<sup>ths</sup> 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 3/8<sup>ths</sup> 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 price index.

#### Partnership Pension Account

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending upon the age of the member) into a stakeholder pension product. The employee does not have to contribute but, where they do make contributions, these will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up to 25% of the fund as a lump sum.

Ordnance Survey had 13 members of the partnership pension account in 2007–08 (8 in 2006–07). 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 £2 000 (2006–07: £2 000). Contributions prepaid at that date were nil (2006–07: nil).

#### Nuvos

This is a defined benefit scheme where benefits accrue on an annual basis throughout the career and are increased in line with the retail price index. The benefits are payable from age 65.

#### Early release costs provided for in financial year

The 2007–08 Operating Account includes a charge of £796 000 in respect of leavers identified in 2007–08 (£477 000 in 2006–07). This charge to the Operating Account reflects the costs of leavers identified and confirmed by 31 March 2008 up to their normal retirement age.

#### 4 Other operating charges

Included in other operating charges are:	2007–08 £'000	2006–07 £'000
Staff travel and subsistence	2 265	2 227
Research and development	467	409
Operating lease charges		
– equipment and vehicles	1 878	1 960
– land and buildings	553	531
Auditors' remuneration and expenses – Audit services	67	71
Auditors' remuneration and expenses – Other services	12	–
Foreign exchange losses (net)	–	3

#### 5 Interest receivable and payable

	2007–08 £'000	2006–07 £'000
<b>Interest receivable</b>		
Balances at the account with HM Paymaster	167	157
Short-term deposits with the National Loans Fund	1 975	1 053
Other	–	11
	<u>2 142</u>	<u>1 221</u>
<b>Interest payable</b>		
On deemed loans	(338)	(371)
Financing charge		
– unwind of provision discounts (Note 12.1)	(510)	(371)
Other	(6)	–
	<u>(854)</u>	<u>(742)</u>
<b>Net interest</b>	<u>1 288</u>	<u>479</u>

#### 6 Dividend payable

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

£4 610 000 was paid in 2007–08 in respect to the results for 2006–07. The amount payable for 2007–08 is £3 713 000, and the provision is included in these accounts as it represents a liability at the balance sheet date (see Note 11).

#### 7 Fixed assets

##### 7.1 Intangible fixed assets

	Software licences £'000
<b>Cost or valuation</b>	
At 1 April 2007	2 448
Additions	170
Disposals	–
Revaluation	19
<b>At 31 March 2008</b>	<u>2 637</u>
<b>Amortisation</b>	
At 1 April 2007	2 147
Charged in year	241
Disposals	–
Revaluation	17
<b>At 31 March 2008</b>	<u>2 405</u>
<b>Net book value</b>	
At 1 April 2007	301
<b>At 31 March 2008</b>	<u>232</u>

The net book value of intangible fixed assets according to the historical cost accounting rules at 31 March 2008 is £232 000 (£451 000 at 31 March 2007).

## 7.2 Tangible fixed assets

	Freehold land and buildings	Equipment, facilities and fixtures	Vehicles	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 April 2007	19 160	38 840	225	23 094	81 319
Additions	–	1 484	–	8 674	10 158
Disposals	–	(1 438)	(40)	(50)	(1 528)
Revaluation	–	347	–	–	347
<b>At 31 March 2008</b>	<b>19 160</b>	<b>39 233</b>	<b>185</b>	<b>31 718</b>	<b>90 296</b>
<b>Depreciation</b>					
At 1 April 2007	671	27 792	206	–	28 669
Charged in year	680	3 657	16	–	4 353
Disposals	–	(1 429)	(40)	–	(1 469)
Revaluation	–	170	–	–	170
<b>At 31 March 2008</b>	<b>1 351</b>	<b>30 190</b>	<b>182</b>	<b>–</b>	<b>31 723</b>
<b>Net book value</b>					
At 1 April 2007	18 489	11 048	19	23 094	52 650
<b>At 31 March 2008</b>	<b>17 809</b>	<b>9 043</b>	<b>3</b>	<b>31 718</b>	<b>58 573</b>

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

### 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.

During the financial year 2006–07 a contract was signed with Kier Property Development Limited to legally dispose of the currently occupied land and buildings. At 31 March 2008 the agreement remains conditional and subject to planning permission for development, which is still to be granted.

The occupied land and buildings used in the principal business of Ordnance Survey are accordingly carried at the depreciated existing use valuation (EUV) performed by King Sturge® LLP on 31 March 2006 (see Note 1.2), being the lower of replacement cost and the higher of net realisable value and the value in use.

The most recent external revaluation of the freehold land and buildings for determining the carrying value

was performed at 31 March 2008 by King Sturge LLP in accordance with the Appraisal and Valuation Standards produced by the Royal Institution of Chartered Surveyors (5<sup>th</sup> edition). The amount of this valuation was £19 010 000.

The external valuation performed at 31 March 2008 of £19 010 000 is £1 201 000 higher than the carrying value of the freehold land and buildings at 31 March 2008. The carrying value of the freehold land and buildings has not been adjusted as management believes the difference identified above is not material in the context of Ordnance Survey's business.

There were no additions to land in the year.

The head office buildings occupied by Ordnance Survey have a remaining estimated useful economic life of 15 years.

At 31 March 2008 the market value of the owner-occupied land and buildings was £10 505 000 (2006–07: £10 528 000) per an external valuation performed by King Sturge LLP. The market value is significantly lower than the replacement value largely due to the different basis of valuation used for market value compared to the value of the land and buildings to Ordnance Survey under use in its present form.

### Assets under construction

Assets under construction at 31 March 2008 total £31 718 000 and relate to the development of an integrated data capture, storage and maintenance infrastructure. During 2006–07 £11 304 000 of development costs previously held in the balance were charged to the operating account. This was as a result of an impairment review to establish the recoverable amount on adoption.

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

	Freehold land and buildings	Equipment, facilities and fixtures (includes assets under construction)	Vehicles	Total
	£'000	£'000	£'000	£'000
Net book value				
At 31 March 2007	7 939	34 534	24	42 497
At 31 March 2008	7 410	40 768	4	48 182

### 7.3 Fixed asset investments – property

	2007–08	2006–07
	£'000	£'000
Balance at 1 April	8 660	7 914
Revaluation in the year	(140)	746
<b>Balance at 31 March</b>	<b>8 520</b>	<b>8 660</b>

An external valuation was performed by King Sturge LLP at 31 March 2008. The basis of the valuation is open market value and the amount of the valuation was £8 520 000. The value of the fixed asset investments determined according to the historical cost accounting rules is £846 000 (£846 000 at 31 March 2007).

During the financial year 2006–07 a contract was signed with Kier Property Development Limited formalising the intention of Ordnance Survey to legally dispose of the investment property, albeit this is conditional and still dependent on planning permission being granted for redevelopment.

## 8 Other investments – PointX Limited

PointX Limited is a joint venture company set up to develop and market a points of interest database covering Great Britain. Ordnance Survey is represented on the Board by two Directors at 31 March 2008. At 31 March 2008 Ordnance Survey owned 50% of the total shares in PointX, being 500 (100%) £1 'A' ordinary shares. Another investor owned the remaining 500 'B' ordinary shares. All shares were ranked equally.

In the year ended 31 March 2008 PointX had turnover of £799 000 (2006–07: £812 000) and expenditure of £782 000 (2006–07: £744 000), with no tax charge being required due to the availability of tax losses brought forward into 2007–08. Ordnance Survey's 50% share of the net profit is therefore £8 000 (£34 000 profit in 2006–07).

An interest-free loan was agreed on 30 March 2001. £689 600 was drawn down by 31 March 2007, with no further amounts utilised in 2007–08. The amount drawn down is included on the Balance Sheet. The maximum agreed loan is £750 000.

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

The investment in PointX at 31 March is as follows:

	2007–08 £'000	2006–07 £'000
Share of gross assets	271	224
Share of gross liabilities	(856)	(819)
Loan	690	690
	<u>105</u>	<u>95</u>

## 9 Stocks and work-in-progress

	2007–08 £'000	2006–07 £'000
Finished goods	1 491	1 265
Work-in-progress	398	338
	<u>1 889</u>	<u>1 603</u>

Included in work-in-progress are long-term contract balances of £34 000 (£21 000 in 2006–07).

## 10.1 Debtors

	2007–08 £'000	2006–07 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors (see also Note 1.8)	10 082	9 806
Accrued income	4 878	5 126
Other debtors	313	72
	<u>15 273</u>	<u>15 004</u>
<b>Amounts falling due over one year:</b>		
Other debtors	34	32
	<u>15 307</u>	<u>15 036</u>

Notes:

- The trade debtors balance is shown after a provision of £488 000 (2006–07: £486 000). Bad Debts totalling £57 000 were written off in 2007–08 (£147 000 in 2006–07).
- One balance receivable was owed by an Executive Director at year end (£750).
- The other debtors balance at 31 March 2008 includes a tenancy deposit held in connection with securing an investment property lease in the financial year (see Note 2.2).

## 10.2 Prepayments

	2007–08 £'000	2006–07 £'000
Prepayments	1 794	1 711
Prepayment of early release liabilities due over one year (Note 1.10)	–	25
Other prepayments due over one year	49	8
	<u>1 843</u>	<u>1 744</u>

## 11.1 Creditors

	2007–08 £'000	2006–07 £'000
Amounts falling due within one year:		
Government loans (Note 13)	481	593
Trade creditors	3 087	3 510
Taxation and social security	1 005	1 405
Other creditors	872	825
Accruals	6 584	5 340
Deferred income	6 735	5 412
Dividend payable (Note 6)	3 713	4 610
Early release cost provision (Note 12)	3 034	3 375
	<u>25 511</u>	<u>25 070</u>

## 11.2 Creditors

	2007–08 £'000	2006–07 £'000
Amounts falling due after one year:		
Deferred income	<u>133</u>	<u>154</u>

## 12 Provisions for liabilities and charges

### 12.1 Early release and pension commitments

	2007–08 £'000	2006–07 £'000
Balance at 1 April	8 215	11 239
Transferred to short-term provision in the year	(267)	(65)
Less amounts falling due within one year (Note 11)	(3 034)	(3 375)
New provisions recognised in year (Note 3.3)	796	477
Element of new provisions paid in year	(175)	(432)
Unwinding of early release cost discounts. The unwinding of pension discounts represents a cash outflow realised on payment of early release cost provisions discounted for the time value of money (Note 1.10)	<u>510</u>	<u>371</u>
	<u>6 045</u>	<u>8 215</u>

The above amount is estimated as falling due as follows:

	£'000
2009–10	2 224
2010–11	1 596
2011–12	1 104
2012–18	<u>1 121</u>
	<u>6 045</u>

### 12.2 Other provisions

	<u>220</u>	<u>82</u>
	<u>6 265</u>	<u>8 297</u>

There has not been a change in the year to the discount factor applied for early release and pension commitments, which has remained at 2.2% in accordance with HM Treasury guidance.

In the other provisions balance is a provision for onerous leases as a result of regional office closures of £54 000 (£82 000 in 2006–07), which covers residual commitments to lease expiry, after application of a risk-factored allowance for anticipated sublet rental income, together with other sundry provisions.

### 13 Loans repayable after one year

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

	2007-08	2006-07
	£'000	£'000
Amounts repayable:		
In two to five years	6 214	3 695
After five years	–	3 000
	<u>6 214</u>	<u>6 695</u>

### 14 Reserves

#### 14.1 Reconciliation of movements in general reserve

	2007-08	2006-07
	£'000	£'000
At 1 April	23 367	21 018
Surplus for the year	20 123	2 092
Early release costs	4	32
Revaluation reserves transfer (Note 14.2)	151	225
At 31 March	<u>43 645</u>	<u>23 367</u>

#### 14.2 Revaluation reserves

	2007-08	2006-07
	£'000	£'000
At 1 April	17 943	17 151
Arising on revaluation during the year (net) analysed below	226	861
Net revaluation losses realised in operating account on disposal of fixed assets	47	156
General reserve transfer – gain realised on disposal of fixed asset freehold land and buildings	–	(180)
General reserve transfer – freehold buildings depreciation charge difference in year on revalued cost basis compared to historic basis	(151)	(45)
At 31 March	<u>18 065</u>	<u>17 943</u>
Net reserve movements in the year		
Tangible and intangible fixed assets	366	115
Investment assets	(140)	746
	<u>226</u>	<u>861</u>

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

Net book value at 31 March 2008	Revalued	Historic	Difference
	£'000	£'000	£'000
Intangible fixed assets (Note 7.1)	232	232	–
Tangible fixed assets (Note 7.2)	58 573	48 182	10 391
Investment assets (Note 7.3)	8 520	846	7 674
			<u>18 065</u>

### 15 Cash flow statement

#### 15.1 Cash at bank and in hand

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

	2007-08	2006-07
	£'000	£'000
Balance held at Paymaster General's Office	1 392	2 224
Balance held in commercial banks and cash in hand	672	413
	<u>2 064</u>	<u>2 637</u>

## 15.2 Cash flow from operating activities

	Note	2007–08	2006–07
		£'000	£'000
Reconciliation of operating surplus for the period to net cash flow from operating activities			
Operating surplus on ordinary activities before interest and dividend		22 548	6 223
Depreciation/amortisation	7	4 781	5 814
Impairment	7.2	–	11 304
Share of PointX profit	8	(8)	(34)
Revaluation losses recognised in operating account		–	126
Loss on disposal of fixed assets		67	367
Increase in stocks	9	(286)	(207)
Increase in debtors/prepayments	10	(353)	(1 002)
Decrease in prefunded early release cost commitments	10	25	48
Increase/(decrease) in creditors	11	1 523	(2 619)
Early release cost adjustment	14.1	4	32
Decrease in provisions for liabilities and charges over one year	12	(2 032)	(3 187)
<b>Net cash inflow from operating activities</b>		<b>26 269</b>	<b>16 865</b>

## 15.3 Reconciliation of net cash flow to movement in net funds

	Note	2007–08	2006–07
		£'000	£'000
Decrease in cash in the year	15.4	(573)	(436)
Cash outflow from decrease in debt financing	15.4	593	718
Cash outflow from increase in liquid resources	24	12 500	700
Changes in net funds resulting from cash flows		12 520	982
Exchange differences	15.4	–	3
Increase in net funds in the year		12 520	985
Net funds at 1 April		8 149	7 164
<b>Net funds at 31 March</b>		<b>20 669</b>	<b>8 149</b>

## 15.4 Analysis of net funds

	Note	At 1 April 2007 £'000	Cashflow £'000	Exchange Movement £'000	At 31 March 2008 £'000
Cash at bank and in hand	15.1	2 637	(573)	–	2 064
Debt due after 1 year	13	(6 695)	481	–	(6 214)
Debt due within 1 year	11.1	(593)	112	–	(481)
Liquid resources – Cash on deposit	24	12 800	12 500	–	25 300
<b>Net funds</b>		<b>8 149</b>	<b>12 520</b>	<b>–</b>	<b>20 669</b>

## 16 Gross cash flows

### 16.1 Financing charges and income

	2007-08	2006-07
	£'000	£'000
Interest received	2 101	1 217
Interest paid	(344)	(371)
Net interest	1 757	846

### 16.2 Capital expenditure

Payments to acquire fixed assets	(10 424)	(14 018)
Receipts from sales of tangible fixed assets	38	283
Net capital expenditure	(10 386)	(13 735)

## 17 Financial commitments

	2007-08	2006-07
	£'000	£'000
No provisions have been made in these accounts in respect of:		
Contracted capital commitments	72	32
Capital authorised by Directors but not contracted	-	30

## 18 Operating lease commitments

At 31 March 2008 Ordnance Survey had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	2007-08	2006-07	2007-08	2006-07
	£'000	£'000	£'000	£'000
Expiring:				
Within one year	168	211	238	229
Between two and five years	43	25	687	875
After five years	-	13	-	50

## 19 Related party transactions

Ordnance Survey is a non-ministerial government department operating as a Trading Fund and is also an Executive Agency. In the course of its normal business

Ordnance Survey provides mapping data and licences to both the private and public sectors. During the year Ordnance Survey has had a significant number of material transactions with other government departments and central government bodies. Most of these transactions have been with the Department for Communities and Local Government, HM Land Registry®, NHS® (England), the Department for Environment, Food and Rural Affairs®, the Ministry of Defence and Defence Agencies, and with the Scottish Office and its Agencies. Rental income was also received from HM Revenue and Customs (see Note 2.2).

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

As explained in Note 8, Ordnance Survey and PointX Limited are related parties. During the year Duncan Shiell (until 10 May 2007), Alastair Matthews (until 27 August 2007), Peter ter Haar and James Brayshaw were Directors of PointX Limited.

Ordnance Survey is a member of, and exercises significant influence over, the board of Little Explorers Nursery Limited, a non-profit-making company limited by guarantee. The company is run as a nursery for children of Ordnance Survey employees on its head office site. No material transactions occurred between Little Explorers Nursery Limited and Ordnance Survey during 2007-08.

Michael Sommers, a Non-Executive Director of Ordnance Survey, is a Non-Executive Director of the Department for Work and Pensions. He was also the acting marketing director for dmg World Media, the owners of The Ordnance Survey Outdoors Show. During the financial year 2007-08 Ordnance Survey provided sponsorship of £100 000 (exclusive of Value Added Taxation) to The Ordnance Survey Outdoors Show and, in addition, received services from dmg World Media in connection with the event totalling £12 000. A trade creditor balance of less than £1 000 existed at 31 March 2008.

Brian Hadfield, a Non-Executive Director of Ordnance Survey from 1 June 2006 until 13 December 2007, was an Executive Director of Tesselate Limited, a supplier of IT management consultancy services received by Ordnance Survey during the period. Hence, Tesselate Limited is a related party to Ordnance Survey by common control. Disclosure of the relationship and the associated material related party transactions was erroneously omitted from the Annual Report and Accounts for the financial year

2006–07. Management has put procedures in place to prevent this from occurring in the future. During the financial year 2007–08 Ordnance Survey received IT management consultancy services from Tesselate Limited totalling £221 000 (exclusive of value added taxation) (during 2006–07 services totalling £88 000 were received exclusive of value added taxation). A nil trade creditor balance existed at both 31 March 2008 and at 31 March 2007.

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

## 20 Contingent liabilities

There were no contingent liabilities at 31 March 2008.

## 21 Post balance sheet events

FRS 21 requires the date on which the accounts are authorised for issue to be disclosed. This is the date on which the certified financial statements are despatched by Ordnance Survey's management to be laid before the Houses of Parliament. The authorised date for issue is stated on the Balance Sheet.

## 22 Financial targets and results

The financial objective for the year 2007–08 was to achieve a trading surplus, before interest and dividends of at least £14.6 million (£4.5 million in 2006–07). The trading surplus achieved was £22.5 million (£6.2 million in 2006–07).

The financial objective of Ordnance Survey was to achieve a return on capital employed, averaged over the financial year 2007–08 of at least 5.5% in the form of a surplus on ordinary activities before interest (payable and receivable) and dividends expressed as a percentage of average capital employed. Capital employed is the Capital and Reserves, that is, the total of the Public Dividend Capital, loans repayable after more than one year, the General Reserve and the Revaluation Reserves.

The operating surplus for the financial year 2007–08 represents a ROCE of 31.3%.

Further background to the trading year is contained in the Annual Report.

## 23 Losses, special payments and gifts

- a In 2007–08 Ordnance Survey wrote off stock valued at £94 000 as a result of new editions of products and

the consequential write-off of the obsolete stock they superseded (£147 000 in 2006–07).

- b Bad debt write-offs of £57 000 were incurred in the year (£147 000 in 2006–07).
- 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.

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

### Interest rate risk

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

Long-term loans have a fixed rate of interest (Note 13).

### Liquidity risk

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

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

#### Interest rate risk profile

The interest rate profile of Ordnance Survey's financial assets and liabilities at 31 March 2008 are set out below. All balances are held in sterling:

	Fixed rate 31 March 2008 £'000	Fixed rate 31 March 2007 £'000	Floating rate 31 March 2008 £'000	Floating rate 31 March 2007 £'000	Total 31 March 2008 £'000	Total 31 March 2007 £'000
<b>Financial assets</b>						
Cash at bank (Note 15.4)	–	–	2 064	2 637	2 064	2 637
Cash on deposit (Note 15.4)	–	–	25 300	12 800	25 300	12 800
Loan to PointX – Interest free (Note 8)	690	690	–	–	690	690

Cash on deposit at 31 March 2008 consists of six short-term loans to the National Loans Fund for a weighted average period of 40.5 days at a weighted average interest rate of 5.14%.

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

	Fixed rate 31 March 2008 £'000	Fixed rate 31 March 2007 £'000	Floating rate 31 March 2008 £'000	Floating rate 31 March 2007 £'000	Total 31 March 2008 £'000	Total 31 March 2007 £'000
<b>Financial liabilities</b>						
Government loans (Note 15.4)	6 695	7 288	–	–	6 695	7 288

All loans and cash balances are considered to be at fair value with no material differences, with the exception of the loan to PointX Limited, which is considered to be at minimal value.

#### 25 Intra-government balances

	Debtors and prepayments: amounts falling due within one year (Note 10.1 and Note 10.2) £'000	Debtors and prepayments: amounts falling due after more than one year (Note 10.1 and Note 10.2) £'000	Creditors: amounts falling due within one year (Note 11.1) £'000	Creditors: amounts falling due after more than one year (Note 11.2) £'000
<b>Balances with:</b>				
Other central government bodies	1 760	–	(10 844)	(8)
Local authorities	353	–	(456)	(36)
NHS trusts	495	–	–	–
Public corporations and Trading Funds	83	–	(145)	–
Bodies external to government	14 376	83	(14 066)	(89)
<b>At 31 March 2008</b>	<b>17 067</b>	<b>83</b>	<b>(25 511)</b>	<b>(133)</b>

# HM Treasury minute dated 20 March 2008

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** – an interface used for accessing an application or a service from a computer program.

**Geodetic** – relating to the scientific discipline that deals with the precise measurement and representation of the earth, its gravitational field and other related phenomena.

**Geographic information** – information about objects or phenomena associated with a location relative to the surface of the Earth.

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

**Mash-up** – a web application that combines data from more than one source into a single integrated tool; for example, the use of mapping data to add location information to video images.

**Ordnance Survey’s geographic data** – the set of data assets we collect and maintain from which we license products (previously referred to as the National Geographic Database).

**OS MasterMap** – our most detailed information, containing more than 460 million uniquely identified geographic features down to individual address and building level. It is continually updated as a consistent and maintained framework for the referencing of geographic information in Great Britain. OS MasterMap is available in the following data layers: Topography, Address and Address 2, Imagery and Integrated Transport Network. Customers choose how to access OS MasterMap data by area, layer or theme.

**Pictometry oblique imagery** – technology that combines packages of oblique and vertical aerial images with a viewing software application designed to enable accurate measurements. It is based on the idea of viewing the size, shape and design of features from a range of different angles, including the four cardinal points of the compass.

**Topography** – the surface, shape and composition of the landscape, comprising both natural and artificial features.



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Written and designed by Ordnance Survey.

ISBN 9780102956214

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ISBN 978-0-10-295621-4



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