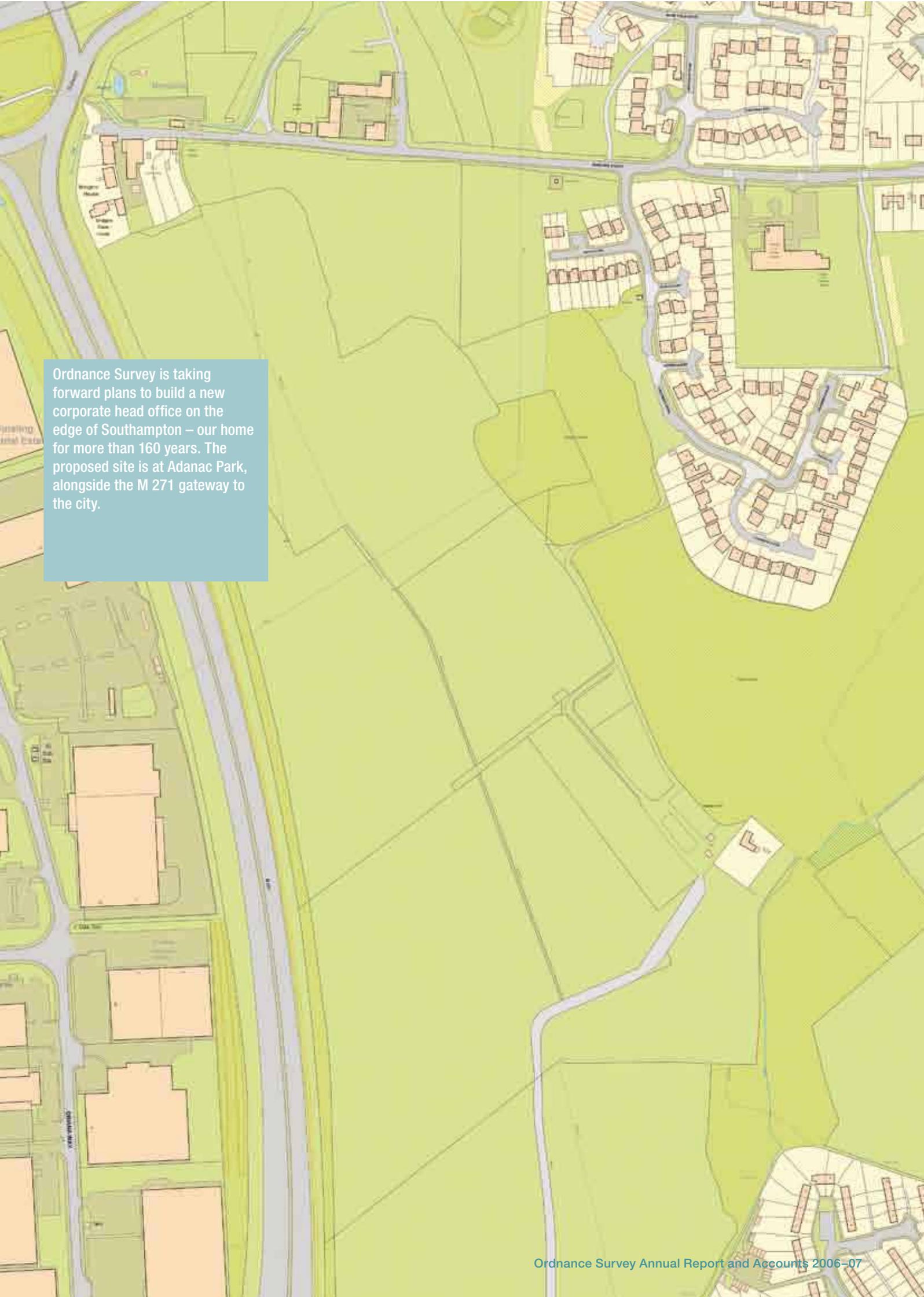


Annual Report and Accounts 2006–07





Ordnance Survey is taking forward plans to build a new corporate head office on the edge of Southampton – our home for more than 160 years. The proposed site is at Adanac Park, alongside the M 271 gateway to the city.

Annual Report and Accounts 2006–07

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

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Our online learning resource GIS Zone was recognised with a gold award in the annual Geographical Association awards in April 2006. The awards honour material that has made a significant contribution to geography in primary schools, secondary schools or colleges.

www.ordnancesurvey.co.uk/mapzone

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

Our corporate strategy challenges us to:

- collect, portray and distribute the definitive record of Great Britain's natural, built and planned environment, meeting customer need and the national interest in the most effective manner;
- improve and maintain the definitive databases so that we can facilitate the association and integration of additional geographic data;
- provide, through the data, the underpinning framework for the government and the private sector to join up its spatial information;
- provide national coverage of medium- and small-scale maps;
- develop an organisation that focuses clearly on the needs of customers and continuously improves customer satisfaction; and promotes responsible business behaviour;
- create, develop and maintain strategic and commercial partnerships that will add further value to our data and products;
- grow the geographic information market and champion the extended use and sharing of geographic information in the government, business and leisure communities;
- generate profitable revenue that will fund continuous improvement in database content, data structure and delivery, up-to-dateness, fitness for purpose and accuracy;
- provide a working environment that fosters leadership, personal development, innovation, and team working; and
- advise the UK Government on all aspects of survey, mapping and geographic information.

Our Vision



Welcome to our Annual Report and Accounts for 2006–07.

Our job is to collect, portray and distribute geographic information (GI). We are not the only organisation to do this. What makes us different is that we have a clear remit to work in the national interest as well as focus on individual customer need.

As a result, we do not concentrate only on profit. We provide the definitive record of the entire natural and built landscape of Great Britain so that others can add value to it and treat it as the underpinning framework for all kinds of decisions based on geography.

As a Trading Fund within the public sector, we rely entirely on receipts from sales and the licensing of our data. We receive no direct funding from the tax payer in support of our trading revenue.

We champion the benefits of national GI that meets our customers' requirements and is consistent, continually maintained and as accurate and up to date as possible. The reason we strive to be profitable is the same as for any business: to create exceptional value for our customers through sustained investment. In our case, we also meet financial targets set for us by our sole owner – the government, through Communities and Local Government.

This year has seen much debate around public sector information and competition law. There have also been technology developments and customer-funding pressures.

However, it is also true that GI has never been so much in use, or benefited so many people. There is increasing exposure of the power of geography to visualise and interpret information over the Web, in satellite-navigation systems, and many other aspects of our daily lives. We play a key role in supporting this activity.

Our starting point each year remains our Vision, based around providing the highest levels of customer service possible. Maintaining excellent relationships with customers is crucial if we are to offer the products and services that allow them to achieve their goals. The quality and dedication of the people at Ordnance Survey gives me confidence that we can continue to meet our challenges and create the value our customers demand.

This year we have seen a number of successes in line with our strategic objectives that together offer us a strong platform to drive forward the organisation. Many of these success stories are outlined in this Annual Report.

On a personal note, may I offer thanks for the contribution made by the staff, Non-Executive Directors and Directors. I wish to highlight the special contribution to the running of Ordnance Survey of my colleague Duncan Shiell, who retired as Director of Strategy after the end of the reporting year.

Our Annual Report is designed to tell the stories behind our work and show how it makes a positive difference to people in all walks of life. I hope you find the information clear, concise and stimulating.

We welcome your feedback, so please send comments and suggestions. You can find our contact details on the back cover.



Vanessa V Lawrence
Director General and Chief Executive
22 June 2007

Vanessa Lawrence **Director General and Chief Executive**

Vanessa joined Ordnance Survey in 2000, moving from a global management post in strategic marketing and communications at software company Autodesk®. She has extensive experience in both geographical information systems (GIS) and publishing. She is the adviser to the British Government on mapping, surveying and GI, Chair of the Agency Chief Executives' Association, Chair of the Geographic Information Panel, a member of the Board of Directors of the Open Geospatial Consortium (OGC™) and a Patron of MapAction. Vanessa is a Visiting Professor at two universities, a Chartered Geographer, a Fellow of the Royal Geographical Society and of the Royal Institution of Chartered Surveyors and a Companion of the Chartered Management Institute®. She has been awarded six Honorary Doctorate degrees and is an Honorary Fellow of University College London®.

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.

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, location-based services 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.

James Brayshaw **Director of Sales and Market Development**

James joined from the private sector in November 2001 and is responsible for all customer relationships and market development. He has more than 25 years' experience of technical and consultative management, both as a user and provider of software solutions to the civil engineering industry. He has experience of implementing high-value enterprise solutions to key industry sectors such as oil and gas, retail, construction, transportation and defence. James also set up the UK organisation for a US collaboration providing e-commerce web solutions for the construction industry. In a year he established the brand in a new emerging marketplace. James has a BSc (Hons) degree in civil engineering from Manchester University®. A Chartered Engineer, he sits on the Geospatial and IT Advisory panels of the Institution of Civil Engineers.

Jan Hutchinson **Director of Human Resources and Corporate Services**

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

Alastair Matthews **Finance Director**

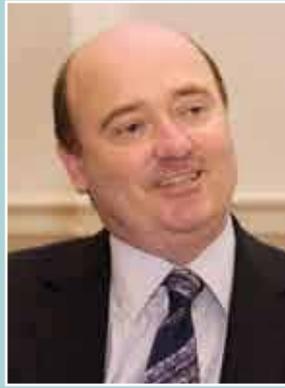
Alastair joined Ordnance Survey in July 2003 and is responsible for managing the national mapping agency's finances. He is a member of the Financial Reporting Advisory Board, an independent advisory Board to HM Treasury on how reporting principles are applied. Alastair was previously Vice-President of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

Duncan Shiell **Director of Strategy**

Duncan, who retired soon after the reporting year, was closely involved in developing the business plan that underpins our continued development. Duncan represented our views on a number of government initiatives. Since 2003 he had been a member of the Advisory Panel on Public Sector Information.



Vanessa Lawrence



Neil Ackroyd



Peter ter Haar



James Brayshaw



Jan Hutchinson



Alastair Matthews



Duncan Shiell



Dr Katherine Innes Ker



Brian Hadfield



Michael Sommers



Piers White

Non-Executive Directors

Dr Katherine Innes Ker

Katherine is Chairman of Shed Productions plc and Non-Executive Director of Taylor Woodrow® and Gyrus® Group. Since graduating in chemistry and gaining a doctorate in molecular biophysics at Oxford University®, she has held director roles with both SBC Warburg and Dresdner Kleinwort Benson.

Brian Hadfield

Brian is an experienced business and organisational-change specialist. He is currently Non-Executive Director at Sigma Technologies and Chairman of the Woburn Centre for Conservation and Education. Previous posts include Vice-President roles at the Bank of Boston and Unisys® Corporation.

Michael Sommers

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

Piers White

Piers 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.

Compliance statement: We have prepared this management review with reference to Reporting Standard 1 (RS1), a statement of best practice in financial reporting. The Accounting Standards Board issued RS1 in January 2006.

Financial headlines

- Turnover from operating activities: £115.5 million, down £2.2 million or 1.9% on last year's figure of £117.7 million.
- Turnover from trading activities (which excludes NIMSA): £114.5 million, up £7.7 million or 7.2% on last year's figure of £106.8 million.
- Operating surplus (including exceptional operating charge) before interest and dividend payable: £6.2 million, down £1.7 million or 21% on last year's figure of £7.9 million.
- Total investment expenditure: £21.5 million, down £2.0 million or 0.9% on last year's figure of £23.5 million.

Our role and remit

Ordnance Survey is Great Britain's national mapping agency, providing the most accurate and up-to-date geographic data, relied on by government, business and the public. We are a single, integrated organisation responsible for the *end-to-end* processes of collecting, managing and disseminating geographic information for the whole of Great Britain.

A government Trading Fund since 1999, we are set various requirements, including financial targets by Ministers. They determine our role, status and remit; we focus on operational success, generating profitable revenue to fund continuous improvement in our data. In this way we serve the national interest and customer need without placing a burden on the public purse.

We enable customers to use the content of our national geographic database through a predefined range of authoritative, *finished* products. These extend from our world-class paper mapping products – widely respected by consumers and business customers alike – to highly detailed information products describing the geometry and function of features throughout the built and natural environment.

OS MasterMap® is our most accurate and definitive portfolio, providing consistent and maintained information down to address, street and building level. It is available in four data layers: Topography, Address, Imagery and Integrated Transport Network™ (ITN). We also provide a portfolio of digital height data as both contours and digital elevation models; mid-scale products suitable for regional analysis and presentation of geographical issues; and national series of paper maps for walking and touring, including our OS Explorer Map (1:25 000 scale) and OS Landranger Map (1:50 000 scale) titles.

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 Licensed Partners. These range from individual entrepreneurs to multinationals – all of which add value to our data through their own products and services. We also license our products through data distributors, wholesalers and retail distributors of paper maps.

This year we rebranded a specialist network of retail partners to become Ordnance Survey Mapping and Data Centres. These offer digital and paper products to consumers along with a desktop service aimed mainly at the land and property market. A new large-scale product called OS Sitemap® is available through the network, offering accurate and site-centred mapping for project planning, development and management. The detail offered is ideal for planning applications and environmental-impact analysis.

We continue to strive to ensure that our trading arrangements are fair, open and transparent for all our users. We offer a range of licences designed to reflect perceived market value and market-based pricing within the context of defined end uses of our information.

A series of collective purchase agreements provide organisations in local and central government, emergency services and the NHS® with consistent access to a portfolio of relevant products. We offer online ordering facilities and delivery through a range of methods such as CDs, DVDs and online. Our data is provided in industry-standard formats suitable for export into a wide range of desktop packages, including GIS and CAD systems.

Business processes

Data collection and management

Our Data Collection and Management Business Group is responsible for the collection, collation and quality assurance of the data used to populate our database, from which all our products originate. Every day we make an average of 5 000 changes to the database, reflecting, for example, new buildings and developments, road-routing restrictions, and other natural and man-made changes. To keep our database up to date, we rely on our ground-based surveyors, a programme of air photo acquisition and other change intelligence gathered from third parties. We maintain a national GPS correction network, which offers real-time positioning capability down to centimetre level.

Geodata management

Once data has been uploaded and processed through our storage and management system, it is available to be extracted for use in the product portfolio. To have real value for users, our data must be accurate and up to date. Our Geodata

management group is responsible for defining the features we should collect and store. The group integrates many of our business functions and influences the data-management process at all levels, ensuring our data provides best value. We continue to invest in developing the technology behind data maintenance so that we can synchronise content and accuracy more easily and improve the timeliness of supply.

Products

Our Products Business Group sets out to understand, define and respond to our customers' needs, ensuring that Ordnance Survey continues to provide relevant information relied on by users. Our processes for deriving, producing and distributing data provide an essential link between the work of our surveyors, technical product managers and sales and marketing professionals. Our Products Business Group designs and manages the products and services that are built using the data maintained in our database. The group develops new and enhanced products in line with customer requirements phasing out superseded products where appropriate. Within this directorate our foresight and research functions help invent future concepts and products for us and our partners to exploit in an increasingly open model.

Sales and market development

We place a high priority on ensuring our customers understand the benefits of our information in different markets. This involves sales, marketing and customer support and services. Our Marketing Communications team devises and implements marketing plans to support our sales account teams. This includes activities in our core commercial, public sector and consumer sectors. We are increasingly growing our partner channel to support all our markets. By monitoring the market and communicating customer need for products and services, we can continue to ensure that our GI offers value to our customers.

Corporate services

Supporting our overall role is a series of Business Groups including Finance, Human Resources, Technology Directorate and Corporate Office. We deliver our corporate investment programmes through a Programme Delivery Unit while staff in our Research Labs work on a wide ranging portfolio of research and development. They look ahead to ensure our data and

infrastructure can support future business processes and the developing needs of mainstream consumers.

Governance and organisational structure

We operate under the terms of our Framework Document of 2004, the Trading Fund Order of 1999 and a Treasury minute dated 15 January 2004 (reproduced in our Annual Accounts), which sets our return on capital employed target. We were required to achieve a return, averaged over the period between 1 April 2004 and 31 March 2007, of at least 5.5%. More details are contained in the Financial Performance section.

Ministerial responsibility for us rests with Communities and Local Government (CLG). Our principal governance structure consists of our Strategy and Operating Boards and the Audit and Risk and Remuneration Committees.

Our Strategy Board 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 ensures the practical implementation of the strategy. The Audit & Risk Committee (of Strategy Board) is responsible for independently appraising our internal audit function and our internal control systems for risk management. The Remuneration Committee (of Strategy Board) reviews and recommends Directors' and Senior Manager Heads' salaries, Non-Executives Directors' payments and agency bonuses. More information on our structure is contained in the Statement of Internal Control in the Annual Accounts.

Our main operating facilities are at our Southampton head office and a network of field offices around the country from which our surveyors operate. This year we have signed a contract with a developer to progress our plans to move to a new, purpose-built head office close to our current location. The move is designed to equip our staff with a more modern working environment fit for the longer term and to better align our projected cost structure to our future size and activities.

Market overview

GI can help to define and describe sometimes unseen relationships across an

Customer service headlines

- Total enquiries: 157 208, up 19% on last year's figure of 132 455.
- Correspondence (email, letter, fax): 71 679, up 22% on last year's figure of 58 771.
- Telephone calls received: 85 529, up 16% on last year's figure of 73 684.
- Average wait time: 8.0 seconds, down by 30% on last year's figure of 11.4 seconds.
- Lost calls: 1.25%, down by a variance of 9% on last year's figure of 1.38%.

organisation. Knowing the *where* and using that information for business decisions and customer-facing activities can improve business operations and profits.

The benefits of GI can be seen across many market sectors. They include local and central government, the insurance industry, transport and distribution, utilities, wireless, consumer, and land and property. In all these sectors there is increasing competition driven by technology and the demands of users. People with little or no specialist knowledge of the technicalities of GI are increasingly using it in their daily activities for planning, analysis, service delivery and leisure. The potential for more users to benefit without having to be specialists is significant.

Commercial sectors

The widespread expansion and maturing use of intelligent solutions has encouraged growth both in the use of GI and in the framework of standards and regulations that surrounds it. This, combined with a growing need to share GI across different organisations, has resulted in a well developed yet highly complex and competitive commercial marketplace.

There is strong growth in sectors such as banking, finance and insurance. This is due to both the relative immaturity of geographic information in these markets and the need for greater precision in activities such as risk modelling and customer relationship management. Other key areas include land and property, driven by the impact of e-conveyancing, and transport, where companies seek ever greater efficiencies in delivery operations.

Since cost and ease of use will always be factors affecting adoption of GI, we and our fellow data providers have an important role in demonstrating its value and how it can help to give a competitive edge.

The power of geographic analysis has not been ignored by mainstream business intelligence vendors outside the traditional GI market. Oracle®, IBM® and others now offer software with the functionality to manage geographic data.

Personal navigation

One of the most dynamic marketplaces involves personal navigation, both in-vehicle

satellite navigation and hand-held GPS devices. The navigation system provider TomTom® said this year that the European market in personal navigation devices had grown three and a half times bigger in just 12 months.

Cheaper packages and update solutions are transforming people's expectations and demands. New technology will continue to influence the market with capabilities such as real-time traffic feeds becoming standard.

The same kind of benefits can apply to couriers, hauliers and other transport and distribution companies keen to check the locations of their fleet and improve delivery times to customers. The need for accurate road network information is likely to come further into focus if plans for road pricing zones to counteract congestion go ahead.

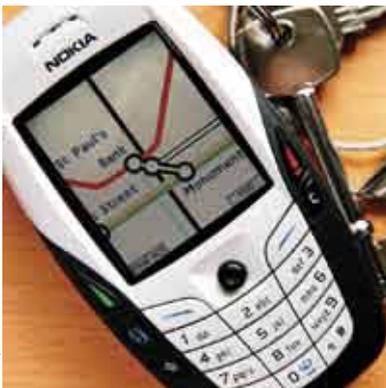
Navigation systems are also likely to have a growing influence in the insurance sector through pay-as-you-drive schemes. Drivers of vehicles with in-car GPS devices and digital street-map data could see more personalised insurance premiums based on the time of day, type of road and mileage of each journey.

Local and central government

The benefits of technology involving navigation are being taken up across the public sector just as in commercial markets. Transport for London and many local authorities are investing in real-time bus information systems to allow passengers to receive live updates to travel times. Automatic vehicle location tracks the buses in real time, providing the waiting time information on electronic displays at bus stops, over the Internet and on mobile phones.

Ordnance Survey provides GI into local and central government through two collective purchasing agreements: the Mapping Services Agreement (MSA) and the Pan-government Agreement (PGA). We offer a portfolio of products, including topographic, address and road network data, to support and join up a wide range of decision making and local service provision.

Local government, for example, uses our products extensively to underpin citizen-facing online information services. These provide locations and other information on council services such as recycling, planning applications, development restrictions and local facilities.



Transport for London

Internal systems record and manage a wide range of information with reference to Ordnance Survey data. Local authorities who centralise address data can open it up to different departments and systems for faster, more efficient customer service.

We aim to continue working closely with local and central government through collective purchasing and direct contracts so that they can maximise the benefits of our information.

Consumer

The mass consumer market is changing due to significant interest in mapping portals that offer simple data integration and visualisation tools. In addition, growing numbers of providers are competing to satisfy the consumer appetite for route finding with location-based services, satellite navigation systems and other recreational devices employing GPS.

The consumer marketplace is split broadly into two distinct groups: leisure users and specialist or active outdoor enthusiasts. We are well established in the market as the only provider of national series paper mapping. With growing consumer interest in GPS devices and maps on CD-ROM, we are working with our partners to not only underpin the devices with our data but also to reinforce paper maps as complementary products that are essential for the outdoors.

This year we have launched new facilities on our website enabling partner products to be ordered alongside our own. We continue to develop collaborative plans with high-street retailers, wholesalers and independent stockists to maximise our product range and display opportunities.

In a key product development, we have ensured that all 403 orange-covered OS Explorer Maps are available to order in weatherproof versions. Users of this new durable encapsulated product, OS Explorer Map – Active, can also highlight favourite routes on a write-on/wipe-off surface.

Our approach to the market

It is with the requirements of government, business and consumers in mind that we continually focus on improving data accuracy, currency and consistency. We have created a common data infrastructure on which all kinds of services and applications can be based.

We see competition in many areas, particularly in high-value geographies – including road network, address, aerial imagery and height data. However, with the increasingly sophisticated use of GI, 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.

Risk management

Like any organisation, we mitigate risk through monitoring the economy and specific markets. We also look carefully at trends in technology, politics and society so that we can implement active strategies to sustain us. This year we faced a number of risks specific to Ordnance Survey, both from internal and external pressures.

Commercial licensing

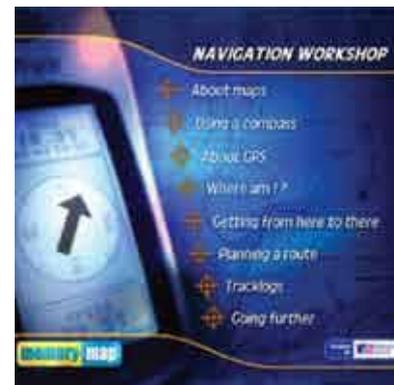
While we were successful in gaining re-accreditation under the government's Information Fair Trader Scheme, we were tasked with a series of actions to ensure our licensing remains as suitable as possible for our growing partner community. We continued to work closely with the Office of Public Sector Information (OPSI) and deal successfully with the points raised under the re-accreditation.

At the same time, the Office of Fair Trading (OFT) published a market study into the commercial use of public sector information.

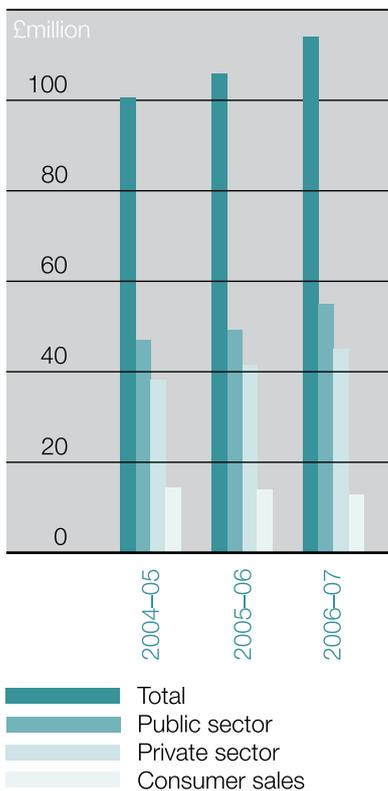
The two-year study looked at information such as employment statistics, property records, company registration files, mapping and meteorological data, and hydrographic charts. The aim was to ensure the onward supply of such information to the private sector is working as well as it can. The issue for us involved certain aspects of our licensing policy, contractual terms and provision of *value-added or refined* information products.

We worked with the other public bodies mentioned to support the government's official response to the findings.

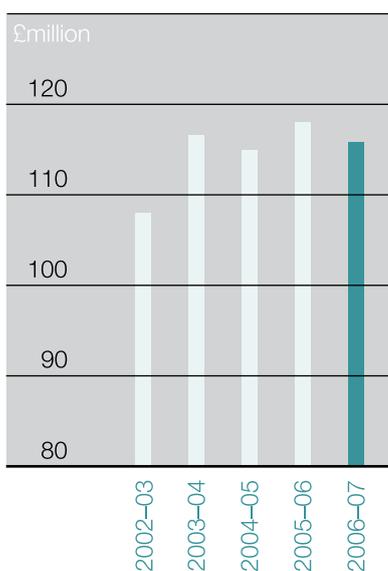
We have also taken part in a wider debate on public-sector information in our media relations and at various events, including a panel discussion hosted by the Royal Society of Arts.



Trading revenue



Turnover from operating activities



Seamless data storage

One of our key goals is to change the way we capture, store, manage and maintain our core GI. We want to manage all our data through a seamless capture-and-maintenance environment. During the year we suspended some of our development work pending an assessment of alternative technologies not available when we began our programme. This has had a significant financial impact, but was a prudent move to ensure the overall programme remains on course to deliver this critical and core future business infrastructure. We maintain our strong commitment to this priority work and continue to operate best practice to ensure delivery is realised. Our management of this risk is discussed further in the Financial performance section of this review.

Financial performance

The financial position

Ordnance Survey delivered a surplus on ordinary activities before interest and dividend payable of £6.2 million for the 2006-07 financial year (2005-06 – £7.9 million).

This result has ensured that the financial objective of at least a 5.5% return on capital employed (ROCE) has been achieved over the three years to 31 March 2007. The actual ROCE for the three-year period is 14.1%.

Turnover from operating activities

Turnover from operating activities decreased by £2.2 million, or 1.9%, in the year to £115.5 million (2005-06 – £117.7 million). The decrease is principally due to the completion of the National Interest Mapping Services Agreement (NIMSA) on 31 December 2006, whereby turnover derived from the delivery of the NIMSA programme decreased by £9.9 million from 2005-06 to £1.0 million. This decrease is largely offset by the increase in turnover from trading activities discussed below. A small amount of additional income (£0.9 million) is earned from non-trading activities.

Turnover from trading activities

This increased by £8.1 million, or 7.7%, to £113.6 million (2005-06 – £105.5 million). Across the private, public and consumer markets, key changes over the year were:

- public sector – up £5.0 million or 10.2% on 2005-06 mainly due to an increase in

data licensed to central government and a pilot agreement with the NHS;

- private sector – up £4.0 million, or 9.5%, on 2005-06 mainly through increased sales via our partner network to the land and property and personal navigation markets (up 20% on 2005-06), sales to new customers in the banking, finance and insurance sector, and continued growth in product sales to the utilities sector; and
- consumer sales – down £0.9 million, or 6.4%, on 2005-06 mainly due to a reduction in the volume of sales of our national mapping series products.

We anticipate continued growth in the private sector through further strengthening trading relations with our value-adding partners and through a growth of direct sales into the banking, finance and transport sectors. We are also aiming to grow public-sector revenues by continuing to promote usage of our products to existing and new customer groupings, such as the NHS. The existing PGA is being retendered during 2007-08, and it is expected that the new contract will come into effect on 1 April 2008. In the consumer sector we are seeking to arrest the decline seen in recent years in sales volume for our core series mapping through innovations in the web channel.

National Interest Mapping Services Agreement (NIMSA)

NIMSA was an agreement between CLG and Ordnance Survey for the supply of survey and mapping services required in the national interest. Following the completion of the Positional accuracy improvement (PAI) programme early in 2006-07, CLG advised us that NIMSA would cease with effect from 31 December 2006. As a result, turnover from NIMSA reduced to £1.0 million (2005-06 – £10.9 million). We will continue to maintain consistent national data in accordance with our remit, and to provide other national interest services, such as an emergency response capability. For more information, see the later section *Definitive data for both customer need and the national interest*.

Operating costs

Operating costs have decreased slightly to £109.7 million (2005-06 – £110.6 million).

Total staff costs include staff salaries, restructuring charges and non-capitalised temporary labour. Expenditure on staff salaries, net of the capitalised labour cost,

represents the most significant operating cost to the organisation in the year, totalling £49.8 million (2005–06 – £49.5 million). Inflation in salaries and pension costs have been absorbed by reduced staff numbers; the average monthly number of whole-time equivalent persons employed by Ordnance Survey being 1 410 for the year (2005–06 – 1 453).

The restructuring charge for the year of £0.5 million (2005–06 – £2.9 million) arises from early release decisions.

Non-capitalised temporary and agency labour of £7.1 million (2005–06 – £9.5 million) is employed principally on production programmes to improve data quality and content, therefore the level of expenditure will vary from year to year depending on the level of product and market development. Key programmes in 2006–07 were the further improvements to OS MasterMap Address Layer 2 and Topography datasets.

The depreciation and amortisation charge for the year is £5.8 million (2005–06 – £6.2 million). The reduction over the previous year arises from a relative reduction in the rate of additions. Slightly more than half of capital additions in the year were to assets in the course of construction (£7.6 million), which have not yet been commissioned and therefore have not been depreciated in the year. These assets represent the development of a replacement database management system. The fully written down fixed asset balance as at 1 April 2006 includes the existing database management system.

Other operating costs have decreased by £7.4 million to £35.1 million (2005–06 – £42.5 million). This reduction principally reflects the completion of the PAI programme during the year, together with continuing progress in realising cost efficiencies across the organisation.

Operating costs include non-capitalised investment expenditure of £7.3 million (2005–06 – £8.6 million), associated with the programme detailed below.

The exceptional operating cost of £11.3 million relates to an impairment of the carrying value of the database management system in the course of construction, which is discussed further in the next section.

Investment programme

The capital investment associated with the project-oriented delivery of key change programmes contributed to asset additions

of £14.2 million in the year (2005–06 – £14.9 million). This represents a total investment of £21.5 million when added to the internally defined convention to include non-capital operating expenditure associated with such programmes. In 2005–06 investment totalled £23.5 million.

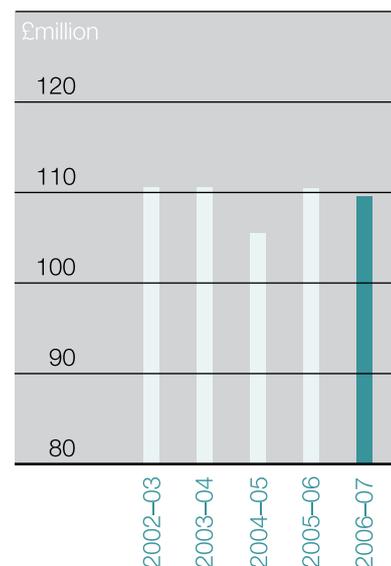
The total programme expenditure of £21.5 million reinforces the significant and focused plan of investment in the underlying business. Through this investment we are seeking improved maintenance of data and delivery of enhanced and definitive databases. We also want to ensure our cost base is appropriate to our ongoing operations.

The main element of capital investment in the year related to the ongoing development of the new seamless database management system, with the expenditure recorded as an asset in the course of construction. This asset represents the single largest system development we have undertaken. It will transform the way in which the core data is collected, maintained and extracted for the production of products. This will also result in greater levels of data integrity for customers. During the year the technical architecture of the proposed system was reviewed and a decision was taken to write down the carrying value by £11.3 million. This represents the costs incurred to date on certain components of the overall solution, which will now be delivered using alternative technical solutions that have become available. After this write-down, the asset in the course of construction is £23.1 million at 31 March 2007. Implementation of the full system is expected during 2009.

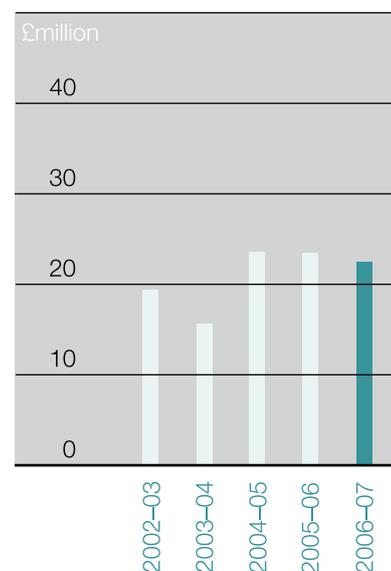
Investment in a head-office accommodation project continued in the year, with the objective of delivering premises suitable for an innovative information technology-focused business, of a size and nature consistent with the modern Ordnance Survey, while also ensuring our future operating costs are suitably aligned. A development contract was signed with Kier Property Developments Ltd on 9 March 2007, which, subject to planning permissions, will enable occupation of modern purpose-built accommodation in 2009.

We continue to invest in capture and maintenance infrastructure to leverage new technologies. We have progressed various product and delivery-oriented developments to enhance the offerings to customers. Future investment will continue to focus on improving the quality and content of the

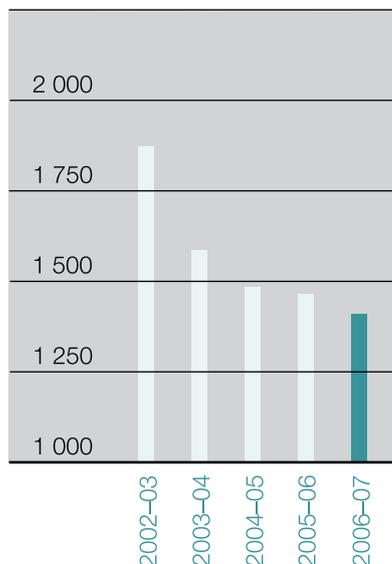
Total operating costs



Investment programme



Average staff numbers



data and enhancing our service and delivery model to create new web-based delivery channels.

Other investments

Licensing of our Points of Interest database, provided by our joint venture investment PointX[®] Limited, has continued to make progress, with turnover in the year of £0.8 million (2005-06 – £0.7 million), generating a profit of £68 000 (2004-05 – £38 000).

Working capital, cashflow and liquidity

The combined cash at bank and in hand and cash on deposit balance at 31 March 2007 was £15.4 million (£15.2 million at 31 March 2006). The increase of £0.2 million is mainly due to the £16.9 million cash inflow from operating activities (2005-06 – £14.9 million) being offset by capital investment (£13.7 million) and payment of the dividend in respect of 2005-06 (£2.6 million). Government loans, repayable by instalments, have decreased to £7.0 million at 31 March 2007 (2005-06 – £7.3 million). Overall, net current assets have increased in the year by £2.0 million to £8.7 million. This largely reflects increased accrued income at 31 March 2007 resulting from growth in turnover from partners. The year-end creditor position includes the increased dividend payable for the year.

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

Treasury management

This is governed by the Ordnance Survey Trading Fund Order 1999 as supplemented by the Framework Document 2004 approved by HM Treasury. 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. If required, we may also borrow to meet

working capital needs and fund our investment programmes.

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

Better Payment Practice Code

Ordnance Survey complies with the Better Payment Practice Code. In 2006-07, 98.4% (97.9% in 2005-06) of all approved supplier invoices were paid within the contractual conditions, or within 30 days of receipt of a valid invoice.

Capital and reserves

The General Reserve has grown to £23.4 million at 31 March 2007 (at 31 March 2006 – £21.0 million). This principally reflects the operating profit for the year plus interest receivable, less the dividend payable. Asset revaluations, principally investment property, have resulted in an increase in revaluation reserves of £0.8 million to £17.9 million. Total capital and reserves have increased by £2.5 million to £62.0 million as at 31 March 2007 (at 31 March 2006 – £59.5 million).

During the year we made scheduled loan repayments of £0.7 million (2005-06 – £0.9 million).

We will pay a dividend in respect of 2006-07 of £4.6 million (2005-06 – £2.6 million). This provides a combined return on the average capital employed of 8.2% for 2006-07 (2005-06 – 5.3%) when viewed with the interest paid in the year of £0.4 million (2005-06 – £0.4 million) on deemed loans received from the National Loans Fund. As a result, we will pay combined dividends and interest on deemed loans equivalent to 5.5% of average capital employed over the three-year period 2004-07. The dividends payable by us in respect of the period were agreed with CLG.

Significant events after the balance sheet date

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



A pilot agreement with The Information Centre for Health and Social Care, acting on behalf of the NHS in England, is designed to help managers deliver health services more efficiently, identify health inequalities by analysing a range of data, and target frontline services to clinical hot spots.

Intrinsic value underlying the business

The National Geographic Database (NGD) and corporate brand

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

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

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

There has been no material change in Ordnance Survey's position since we became a Trading Fund in 1999, and we continue to disagree with NAO over the accounting treatment of the data. However, we are monitoring the interpretation of International Financial Reporting Standards by the wider business community, which Ordnance Survey will be required to adopt in 2008–09 in accordance with government policy. In the meantime, we urge readers of our financial statements to take account of the intangible value of both the geospatial data and the Ordnance Survey brand.

Ordnance Survey was based in the Tower of London until fire damage in 1841 necessitated a search for new premises.



How we have performed against our strategic objectives

Definitive data for both customer need and the national interest

Collect, portray and distribute the definitive record of Great Britain's natural, built and planned environment, meeting customer need and the national interest in the most effective manner

As the national mapping agency, we maintain more than 243 000 km² of topographic information, ranging from dense conurbations to mountain and moorland geography. We seek to offer a single, consistent national view of the content, currency and style of mapping.

Under our continuous revision policy, we use several sources of intelligence to identify significant change on the ground, including new construction, demolition and major changes to existing real-world features. We aim to ensure that all significant change is captured within six months of completion. The position of the features and attributes are then established and recorded in the database from which our information is derived.

We are investigating new methods of data capture, which will help us continue to provide the benefits of having national consistency of content, currency, style and manner of mapping in our databases and resulting products. By focusing our resources on meeting customer need in more innovative ways we will continue to provide some of the highest-quality mapping services anywhere in the world.

Until this year, some of the costs of mapping activities carried out in the national interest were supported through the NIMSA. This was a seven-year agreement established in 1999 when we became a Trading Fund. A key aim was to contribute to the costs of activities which would not otherwise be provided if the decision was made on a purely commercial basis. As explained in the Financial performance section, the agreement – between us and Communities and Local Government (CLG) – ended in December 2006.

We used most NIMSA funding in the maintenance of rural and moorland geography through managed cyclic sweep programmes. Specific initiatives included a national PAI programme designed to offer a more consistent accuracy standard for rural mapping.

We are working to mitigate the impact of NIMSA withdrawal through integrated production technologies and better supply management. As well as periodic sweeps, we are evolving a data maintenance and capture programme for rural and moorland regions based on 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.

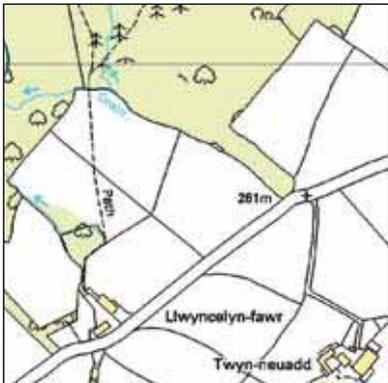
Despite the end of the NIMSA, we continue to provide national interest coastal mapping and a 24/7 Mapping for Emergencies (MFE) service, both of which were NIMSA funded in the past. We have accepted that we will continue to do these things in the national interest despite the extra cost burden on us. The MFE service enables our information, mapping and expertise to be used in response to civil emergencies such as floods, fires, contamination leaks, disease outbreaks, searches for missing people and major security incidents.

This year the MFE scheme helped specifically with the response to various high-profile events, including the investigation into the Suffolk murders, the large fire at an East Sussex fireworks factory, and the access arrangements on the Dorset coast following the *Napoli* shipwreck. Under MFE we can provide an immediate combination of information products, paper mapping and consultancy as required.

Aside from our national interest role, we are uniquely placed to distribute definitive information for all kinds of customer need. This year, for example, we have given specific help to mountain rescue volunteers across Great Britain. More than 80 local teams now have access to our digital mapping data at 1:25 000 scale to support their growing use of GPS technology on hand-held devices.

Our agreement covers teams under the responsibility of the Mountain Rescue Council (MRC) of England and Wales, the Mountain Rescue Committee of Scotland, the British Cave Rescue Council and the Association of Lowland Search and Rescue.

'There is so much that local teams will be able to do with this information. It will help us with the management of incident response, operational planning and liaison with other organisations involved in search and rescue.' Penny Brockman, MRC National Treasurer and Incident Controller of the Central Beacons Mountain Rescue Team in Wales.



East Devon District Council



Rossendale and Pendle Mountain Rescue Team

A large number of emergency services, local authorities and central government organisations rely on our information to support civil contingency planning and public safety. This year Avon and Somerset Police began to use high-quality digital aerial photography from the OS MasterMap Imagery Layer for visualisation and analysis.

The imagery is specifically designed to complement other GI in the OS MasterMap Topography, Address and ITN Layers, providing a valuable visualisation capability and additional contextual information.

To ensure complete compatibility with the rest of the OS MasterMap Layers, imagery from the OS MasterMap Imagery Layer is fully orthorectified. This ensures that the data is positionally accurate and its geometric shape is retained in all terrain, including hilly areas. A consistent scale is maintained throughout the image, as on a map, and future imagery updates will be in the same position.

Data in the Imagery Layer is captured by our flying unit and commercial partners, with only the best available 25-cm resolution and 24-bit colour output selected for use.

'The unique benefit for us is that the data is orthorectified to the map. By overlaying the imagery with building outlines, road names and other information from OS MasterMap across an identical area, we have a much greater depth of information than the mapping alone. We can pinpoint the detail of surrounding terrain much more quickly, which is ideal for making decisions about the planning of operations and incident response.'
Kevin Neenan, Avon and Somerset Police's Reprographics Manager.

To further complement our OS MasterMap Imagery Layer, this year we began distributing a new imagery solution suitable for viewing, measuring and planning the built and natural environment.

Pictometry® oblique imagery provides combined oblique and vertical view imagery and is a new information source to Great Britain. It provides an instantly available, off-the-shelf, library of high-resolution 15 cm imagery, with every feature in the built and natural environment imaged from all four points of the compass along with the vertical view. Pictometry oblique imagery is compatible with our other GI and can be integrated within a wide range

of GIS, enabling viewing, measurement and inspection of incident locations and properties. The size, shape, design, construction and surrounding environment of any building can be assessed and measured from more than 20 different oblique and vertical vantage points.

We are working with BLOM Aerofilms Limited to bring Pictometry oblique imagery to business and consumer markets across Great Britain. We plan to have coverage of Pictometry oblique imagery for all towns and cities with populations greater than 50 000 during 2007, with the dataset being updated every two years. Interest and demand for this new product has been strong, with imagery now delivered to a range of customers, including local planning authorities and emergency services.

Road network information

This year we have improved the currency and accuracy of the OS MasterMap ITN Layer. This is a detailed geographic reference base containing precision detail on Great Britain's road infrastructure.

There are now more than 740 000 named roads in the ITN Layer, with 99.21% of road links present (up 0.39% from last year). There are correct classifications of 99.70% of 'A' roads, 99.94% of 'B' roads and 99.93% of 'minor' roads.

The ITN Layer consists of two themes: Roads Network and Road Routing Information (RRI). The Roads Network represents all navigable roads across Great Britain for those who require increasingly sophisticated geographic data to support their services and applications. The data includes road categories from motorways to alleyways, providing Department for Transport (DfT) road classifications, including trunk roads and primary routes, as well as named and unnamed minor roads and local streets. Each road link is supplied with a unique reference number, or TOID®, that can be shared with other users across different applications and systems.

The RRI theme extends the product's data functionality with features that may affect a driver's choice of route, including traffic calming, turn restrictions and one-way roads as well as vehicular access and time restrictions. In October 2006, we announced that RRI customers would have access to the weight, width and



height restrictions applying to road bridges in Great Britain, making it the only GI product to contain such nationwide data. This is already delivering huge benefits for emergency services, freight companies, hauliers, local and central government, and others.

'This data will support our aim of getting today's freight onto the appropriate roads, which should lead to more efficient and effective operations. It will help to address the issue of HGVs travelling on unsuitable roads in our rural and urban areas, something that causes distress to members of the public and local authorities alike.' Tex Pemberton OBE, cabinet member for highways and transport at West Sussex County Council.

Data association and integration

Improve and maintain the definitive databases so that we can facilitate the association and integration of additional geographic data

We aim to provide the definitive geographic context for the places we all live and work in. Businesses, organisations and individuals depend on our authoritative and reliable location data every day. This year we have enhanced the ways we collect and manage our information so we can continue to improve the underlying accuracy of our products.

There have been sustained efficiency gains in our integrated data-capture policy involving field staff, enhanced technologies and a range of external sources. Around 300 surveyors equipped with GPS kits and other precision measuring devices each travel an average of 12 800 kilometres (7 950 miles) a year capturing changes on the landscape.

We have added new satellite positioning system receivers to our national base station infrastructure, OS Net®. This improves the real-time accuracy of satellite-based positioning from around 10 metres down to centimetre level anywhere in the country. The national, real-time positioning capability is necessary to underpin the high accuracy of our GI – especially that recorded in OS MasterMap.

Our new receivers will provide greater versatility for our own field staff and many other users of high-accuracy GPS

technology. Commercial services based on licensing OS Net continue to appear from partners. They are now able to use OS Net to support their own customer focus, providing different levels of precision depending on their customers' requirements.

Our new receivers have improved the density of the OS Net infrastructure across the north-west of Scotland and in the Thames Gateway region, including the 2012 Olympic site, where considerable surveying and construction work will take place over the next few years.

'This is fantastic news that will enable the full potential for a Network GPS solution. We see many new and existing users now being able to take full advantage throughout Scotland, as well as the rest of Great Britain.' Mark Burbidge, Network and Technical Support Manager, Leica Geosystems.

'We are extremely pleased that Ordnance Survey continues to recognise the strategic value of universal connectivity for precise positioning applications in north-west Scotland.' Jürgen Kliem, general manager of Trimble Navigation's survey division.

Furthermore, continued improvements to the efficiency of our integrated data collection and maintenance processes means that new features on the landscape can be captured and added to our databases even more quickly. One example this year was the extensively redeveloped Ascot Racecourse. We surveyed the new £200 million grandstand and realigned course so that it was recorded in our OS MasterMap Topography Layer data before the official reopening at the Royal Ascot event in June 2006.

Nationally consistent addressing

In May 2006 we launched a powerful series of enhancements to our most detailed digital address data, OS MasterMap Address Layer 2. This is the most accurate and up-to-date link between any property address and its location on the map. Using the TOID, the unique identifiers assigned to every OS MasterMap feature, the enriched data is referenced directly to topographic and road network information in other OS MasterMap layers.

To build and maintain OS MasterMap Address Layer 2, our field surveyors across



the country add high-resolution spatial references to more than 27 million postal addresses contained in the Royal Mail® Postcode Address File (PAF®). We have incorporated a new Royal Mail dataset of multiple residences, which provides complete address details of flats and apartments without individual postal delivery points. We supply these with the reference details of their parent delivery address, enabling easy identification of all properties receiving utility and other non-postal services.

We classify all addresses into residential or commercial and provide a geographic alternative address such as the locality or district name. Business premises are placed in subcategories if their trading or brand name provides clear details of their function.

We have added more than half a million aliases, such as the name of the property as well as its number and street, and in Wales we supply Welsh language alternatives.

In addition, we include more than a million properties that do not have postal addresses. Among them are utility works, 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. They have been given an intuitively useful address referenced to road, locality and postcode. They are also allocated alternative classifications derived from Ordnance Survey, Valuation Office Agency (VOA) and the National Land Use Database.

A cross-reference table that links unique address identifiers is designed to provide navigability between the various themes within OS MasterMap Address Layer 2 and address data created by other organisations. The aim is to make it as straightforward as possible to share and integrate different address information. The table includes unique identifiers from Royal Mail, VOA and us. It is available free of charge, and there are plans to link it to other datasets in the future.

During the year we made further improvements to the service behind OS MasterMap Address Layer 2. Customers can select the specific geographic areas they need with far greater precision. Housing associations, the utilities industry and others who

require details of smaller sites benefit from the ability to define their area of interest to the hectare (1% of a km²). This is in addition to the existing km² service. Customers can also go online to order updates of address changes in their data every six weeks through a process called change-only update (COU). This is a cost-effective alternative to a complete resupply of the holding, offering more efficient data management and dramatically reduced processing times.

We have been delighted with the significant take-up of OS MasterMap Address Layer 2 in the utility sector. Most recently, we have signed an agreement with both Wessex Water and Bristol Water to support their revenue capture, asset management and customer services.

'The combination of change updates to non-addressable locations and a nationally consistent dataset with a series of classifications is helping us to understand the make-up of the geographies we work in, so improving what we do.' Andy Nicholson, Asset Data Manager, Wessex Water.

'Linking address datasets, particularly those with high-quality and consistent national cover, offers considerable benefits for users and we are delighted to be working with Ordnance Survey on strengthening the power of address geography.' Andrew Hudson, Valuation Office Agency's Chief Executive.

Network Rail

OS MasterMap Address Layer 2 is one of the data products covered under a new three-year supply agreement with Network Rail. OS MasterMap Topography and Imagery Layers are also included. Our relationship with Network Rail, the company that owns and maintains Britain's rail infrastructure, dates back to 1999, when GIS were recognised as a key component of the company's IS strategy. Network Rail's corporate system, the 'GI Portal', now provides a valuable central resource available across the business. In addition to its internal operations, Network Rail supplies our data to contractors to support a wide range of projects, including renewals and maintenance. Currently, some 655 projects have been supplied, which highlights the growing importance of GI to the rail industry.



Wessex Water



Network Rail



Network Rail

Points of Interest

There has been encouraging take-up this year of our Points of Interest (POI) dataset, which contains location information for 3.9 million geographic features in more than 600 different classifications. They include hotels, cash machines, tourist attractions and many other facilities. Search can be based on keyword, name, address or partial address, and distance to a specific location.

Quick and easy access to such information is proving popular with users in both the private and public sectors. Local authorities, NHS organisations, the emergency services and major mobile phone companies now have access to POI data. They are finding it useful as a decision-making and customer-service tool, which is externally maintained and reliably accurate.

POI can, for example, answer many of the questions that local authorities receive every day on the locations of community centres, utility works, churches and other public amenities. The data is supporting a wide range of council websites used by the public.

'Points of Interest data is a valuable addition to our corporate GIS data warehouse. It provides users with a wide range of location-based data to support improved service delivery and decision making across many business functions.'
Alan Moore, Forth Valley GIS.

Underpinning framework

Provide, through the data, the underpinning framework for the government and the private sector to join up its spatial information

Because we collect and maintain data to a unified, national specification, we can support the joining up of spatial information for consistent decision making anywhere in the country.

Underpinning OS MasterMap is the Digital National Framework (DNF), an industry-wide set of principles and operational rules that facilitate the integration of geographic and other business information from multiple sources. It offers the ability to link different sources to a definitive location reference through unique identifiers. The OS MasterMap TOID is an example of an identifier. As the positioning element for OS MasterMap and other Ordnance Survey content, OS Net is also based on DNF principles.

Atlantis

Our information is helping to underpin the Atlantis initiative, a collaborative project to provide integrated base geographic datasets for better flood management. With climate change predicted to have an increasing effect on the environment, Atlantis aims to improve information on rivers and terrain together with many related datasets for assessing the impacts of changes in flood frequencies, flood magnitudes and sea levels. This should lead to better management of development within the areas at risk and an improved ability to cope with any emergencies.

We have provided the topographic data for the creation of leading-edge terrain models and structured digital river networks. The new digital terrain model (DTM) will be a variable resolution grid that meets the needs of environmental managers, the water industry and researchers, and will be especially suited to flood management. In the spirit of collaborative working and interoperability of data, the datasets will be fully founded on the common standards based around DNF. This provides the added benefit of simplifying the process of merging users' own data with Atlantis partners' data.

Our Atlantis partners are the Environment Agency®, British Geological Survey, Centre for Ecology and Hydrology, the Met Office and the United Kingdom Hydrographic Office.

VISTA

We are also supporting a DNF-based national project looking to increase the visualisation of underground assets via 3-D mapping and satellite navigation technology. VISTA (Visualising integrated information on buried assets to reduce street works) is a collaboration of 21 organisations developing an integrated infrastructure to enable data sharing for buried assets.

OS MasterMap Topography Layer is the reference base underpinning preliminary trials by researchers at Leeds and Nottingham Universities to integrate disparate records of buried pipes, cables, ducts and wires.

VISTA's data integration and exchange concept is being developed according to the principles and operational rules of the DNF. The aim is to provide a consistent, flexible way to identify, collect, exchange, reuse and record the relevant information.



European spatial data

We are working with colleagues in government on the implementation of a new legal framework for the European Spatial Data Infrastructure (ESDI). The framework helps the exchange of spatial data among public bodies and EU institutions for environmental purposes – and ensures public access. The European Commission has established a work programme that will develop detailed implementing rules for metadata, data specifications, network services, data sharing and monitoring of implementation. We are closely involved in the work programme along with Defra, the UK lead department, and others in government on the changes required by the new law.

In this way, we will be able to play our part in making the ESDI a reality. Just as with the moves towards a location strategy for the UK, and the development of industry initiatives such as DNF, we believe that the ESDI can greatly enhance the contribution of spatial information to EU decision making.

National series maps

Provide national coverage of medium- and small-scale maps

We have continued to update and supply a range of maps with national coverage, primarily designed for leisure users and at a variety of scales.

Our most popular series is OS Explorer Map. 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 and village as well as roads, paths, field boundaries, copses and hill contours. Tourist and leisure information, such as the locations of pubs, visitor centres and cycle trails, is included – making the maps ideal for outdoor exploration.

This year we extended the coverage of our new product OS Explorer Map – Active, a plastic-coated, weatherproof version of the OS Explorer Map. It is now available for all 403 OS Explorer Map titles across Great Britain.

We also updated our national Route map, part of the OS Travel Map series. This double-sided sheet shows the main road network and other useful features such as a mileage chart to help calculate distances between cities. Ten detailed inset maps help users navigate through built-up areas.

We promoted our national series mapping through a number of activities this year,

including a sponsorship agreement with English Heritage® and The History Channel® focusing on stately homes, ancient monuments, castles, gardens and other historic locations. This encompassed OS Explorer Maps, OS Landranger Maps, historical maps and Tour maps.

Our entire series of more than 1 300 separate maps can be ordered online through new web facilities at www.ordnancesurvey.co.uk/leisure. The enhanced site also offers around 900 partner products such as paper maps, interactive DVDs, CD-ROMs, atlases and guide books. The product range covers the UK and Ireland.

The site includes advanced search engine technology. Once users have chosen their preferred location, they see a ranking of all the relevant mapping products scaled precisely against the extent of the area revealed on screen. As a result the most appropriate product is far quicker to find than from a single supplier's product range.

In addition to the specific location, the search options take into account the size of area in which the user is looking. If, for example, the customer selects *Lake District*, products covering the whole extent of the Lake District will appear higher in the rankings than those covering smaller areas within it.

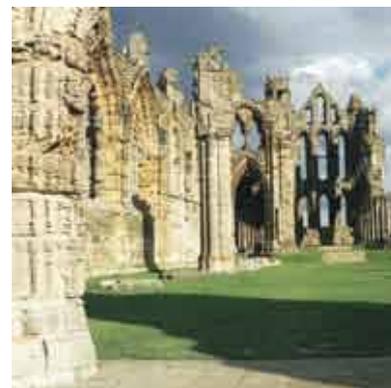
The search engine is based on millions of place names, points of interest, postcodes and grid references contained in our database of GI. The technology supports *fuzzy* searches if the customer's input is vague or misspelt. The site includes supporting content about how mapping is produced and used, plus ideas for exploring the outdoors.

The first customer to order products using the new search facility, Jamie Bassnett, said: *'Love the new look website. I go walking a lot and find the new site makes it much easier to identify which map is required for which areas.'*

Customer care

Develop a business that focuses clearly on the needs of customers and continuously improves customer satisfaction; and promotes responsible business behaviour

We actively encourage our customers to provide both positive and negative feedback on all our products and services. This



information can then be collated, analysed and communicated to the appropriate areas of the business to drive improvements and put into place corrective actions.

We made a series of quality improvements to OS MasterMap following customer feedback this year. They include enhancements to our online service, change-only-update facilities for OS MasterMap Address Layer 2, and the way we capture property polygon extents in OS MasterMap Topography Layer.



Also in response to customer comments, we have created a style sheet for OS MasterMap Topography Layer that gives users the ability to display mapping with the look and feel of the previous Land-Line® product, if that suits their business needs. We issued guidance on the scope for copying Ordnance Survey maps held in public libraries across Great Britain. It followed discussions with representatives of the library and archive community to clarify the process of copying and distribution under established copyright law.



We also revised our Welsh language scheme to reflect current good practice. Since adopting our scheme in 2001 we have shown more bilingual place names and feature descriptions on both large-scale and small-scale products in Wales. Small-scale OS Landranger Maps and OS Explorer Maps for areas in Wales now have fully bilingual covers, and digital products, especially OS MasterMap Address Layer 2, are enabled to provide Welsh place name alternatives.

As a member of the Institute of Customer Service, we played an active role in National Customer Service Week in October 2006. Our customer services team had handled more than 132 000 enquiries, including nearly 74 000 telephone calls, in the previous year. The week included open sessions for staff to learn more about customer service while volunteers went *back to the floor* for a hands-on stint as customer service advisers. Staff from across the organisation took part in quizzes to test their knowledge of our products and services.

We also strive for a closer working relationship with our customers through our OS Insight™ programme. By working together throughout our product life cycles, we are able to develop the best products and solutions to meet our customers' needs, and to ensure our partners provide all the necessary software and support at the launch of new data products.

Corporate Social Responsibility

We try to use our expertise and resources not only to deliver our business objectives but also to realise social, environmental and economic benefits for our staff, the local community, the nation and beyond. We aim to operate ethically and honestly at all times and expect our staff, partners, contractors and suppliers to do the same.

We aim to produce transparent, accountable and honest communications that are accessible to all and adhere to best practice in corporate governance.

We value our staff's contribution to our activities and encourage their participation in our Corporate Social Responsibility (CSR) programme. We review the programme annually to ensure it considers the expectations of society and remains affordable.

A key part of our CSR programme is sponsorship. We support the Association for Geographic Information (AGI®). This represents the interests of the UK's GI industry, including public- and private-sector organisations. Among the members are consultants, academics, and suppliers of software, hardware, data and services. We played a key part in supporting the AGI's annual conference, hosting workshops, giving presentations and chairing debates.

We also support the British-based international charity MapAction through the services of a number of volunteer members within Ordnance Survey. This year one of our senior researchers, Chris Phillips, was part of an advance party which went to south and central Suriname following floods, which covered some 30 000 sq km and displaced over 37 000 people. The President asked for United Nations assistance with relief efforts and MapAction responded immediately. Using the latest maps and satellite imagery, the team provided vital information to enable aid agencies to maximise help on the ground.

We also supported the Scout movement by producing and donating large mapping extracts to help with preparations for the World Centenary of Scouting. The extracts were presented ahead of a national planning conference of local and county Scouting representatives.





OS Sitemap replaced large-scale mapping products Superplan[®] and Siteplan[™], which had been used in the land and property sector for a number of years. The added themes, format choice and improved cartographic presentation of the new product are aimed at the needs of architects, construction companies, farmers and estate agents.



Until the 1960s, Ordnance Survey's head office was in London Road, Southampton.

Corporate charity

Our official corporate charity this year was Naomi House, a purpose-built children's hospice that provides a homely environment for children and young people with life-limiting conditions that mean that they will not live to become adults.

Situated just north of Winchester in Hampshire, the hospice offers one-to-one palliative care that includes respite, terminal and bereavement care and support to children and their families in central southern England.

Our staff raised more than £9 600 for Naomi House through various events and activities such as football matches and cake sales. We voted to forego our traditional Christmas gift of a box of chocolates each so we could instead donate the money involved. More details of our CSR policy are given in the Employee development section of this report.

Free maps for schools

We provide a range of free resources to help people of all ages to understand the importance of location in everyday life and master the skills to interpret and enjoy maps.

This year we again made available a free OS Explorer Map for every Year 7 pupil in Great Britain. As a result, our Free maps for 11-year-olds initiative has now distributed more than 3.8 million maps since it was started in 2002. The maps are the pupils' personal property for use at home as well as school. The initiative was launched following research that showed that pupils with personal access to maps had significantly better developed map skills. The scheme aims to provide all children, irrespective of home or school circumstances, with a map of their own while also helping to support school map resources.

Cairns Primary School in Cambuslang was the first school in Britain to register for free maps this year, just minutes after our online order process went live.

'These maps are a fantastic free resource for pupils and staff. They provide a great link with the environment around the school and can really help develop children's mapping skills. Because the children can take their map out of school, they can use it to follow up on class work at home. Parents are really appreciative, and because the maps are local that makes it all the more relevant.'

Trevor Gray, Head Teacher, Cairns Primary School, Cambuslang.

In a competition linked to the free maps initiative, a dozen children from across Britain enjoyed a day learning navigation and bushcraft skills with survival expert and television presenter Ray Mears.

The Free maps initiative was twice honoured this year by the charity Business in the Community™. We won an official Big Tick and were shortlisted for the Merrill Lynch® Investing in Young People Award. The Big Tick is awarded to companies that are able to demonstrate a high standard of excellence in the way they organise and integrate their responsible business practices, and can show a positive impact both on society and on the business.

Our online learning resource GIS Zone, www.ordnancesurvey.co.uk/mapzone, which complements the Free maps initiative, was recognised with a gold award in the annual Geographical Association awards in April 2006. The awards honour material that has made a significant contribution to geography in primary schools, secondary schools or colleges, and to encourage the creative development of new materials.

GIS Zone, developed by 3T productions, is a resource that teaches mapping skills through interactive play, animations and games. Students can apply skills in a number of scenarios such as finding the most suitable site for a wind turbine, taking on the role of an ambulance controller or choosing flood defences to protect a town. There is not always a single solution to the games, and this promotes discussion when the various results are compared.

'The site defines GIS, using visuals and animations to help. It covers the reasons why so much in life depends on the use of GIS; the benefits of using it and some of the key components that make up GIS such as hardware, software, databases, digital mapping and imagery.'

Finbar McGaughey, Commercial Director, 3T Productions.

Partnership

Create, develop and maintain strategic and commercial partnerships that will add further value of Ordnance Survey data and products

Our partner programme is absolutely central to our business. Our partners provide the tools, software and services that help bring the benefits of our GI to customers across the public and private sectors. Partners range from individual entrepreneurs



developing ideas to multinational companies already established in their markets.

We help our Developer Partners to test the viability of high-quality mapping data before they release their offerings into the marketplace. Many companies have graduated from our Developer Partner programme to become full Licensed Partners operating commercially. For these commercial partners we offer a tiered membership programme with different levels of support.

In addition to Licensed Partners who create services, software and solutions, there is the opportunity for partners to resell some of our data. This can be as part of a service or solution, or as a stand-alone enterprise.

Individual commercial consultants can take advantage of our Accredited Data Consultant (ADC) programme, a three-day course designed to strengthen product knowledge and contact with our own experts.

Over 150 delegates attended our annual partner conference, held at Alexandra House near Swindon. The event included market-specific workshops and an exhibition giving partners an opportunity to discuss further applications of our data. Four companies spearheading innovative uses of our information won awards. They were Tele Atlas, who supply mapping data and routing information to in-car and web-based navigation providers; QAS®, a supplier of address management solutions; Garmin® International, a leading provider of in-car and personal satellite navigation systems; and Mapsolute®, whose route-planning website Map24.com has animated virtual tours, real-time updates and personalised information.

Ordnance Survey Mapping and Data Centres

This year we have developed our specialist network of retail partners, now known as Ordnance Survey Mapping and Data Centres. These mainly serve the professional land and property market but are also used by customers typically requiring maps to support planning applications for property extensions. Ordnance Survey Mapping and Data Centres are strategically located around the country, each with a computer link to Ordnance Survey's database so they can supply customers with the latest mapping on demand. Previously known as Ordnance Survey Options®, the network has knowledgeable, experienced staff who deal with precise requirements for a full range of flexible map and data choices.

Businesses can use the network to license OS Sitemap, a new large-scale mapping product derived from our national geographic database. OS Sitemap replaced large-scale mapping products Superplan and Siteplan, which had been used in the land and property sector for a number of years. The added themes, format choice and improved cartographic presentation of the new product are aimed at the needs of architects, construction companies, farmers and estate agents.

To coincide with the launch of OS Sitemap, we have begun offering a greater choice of licence terms for the product. Together with the current internal business use one-year licence, we have introduced a new multi-year Plan, Design and Build licence that permits data sharing within a project as well as archive rights.

As well as OS Sitemap, Ordnance Survey Mapping and Data Centres offer OS Landplan® at 1:10 000 scale, and site-centred OS Select™ maps at 1:25 000 and 1:50 000 scales. Also in the portfolio are historical and administrative boundary mapping and aerial photography. The channel includes a desktop mapping service for customers preferring to choose and organise maps and data at their own premises, with real-time access to our database.

Industry contacts

As well as commercial partners, we maintain key relationships with industry bodies and other organisations. For example, we foster a close partnership with SOLACE, the Society of Local Authority Chief Executives, to help maximise the use of our data across local government. Our relationship includes regular input to conferences and marketing initiatives. We also have strong links with the Royal Geographical Society, Royal Institute of Navigation, ITS UK (Intelligent Transport Systems), the Freight Transport Association, and the Chartered Institute of Logistics and Transport.

Our research team, Ordnance Survey Research Labs, maintains a wide and diverse partner network to ensure that the United Kingdom remains at the forefront of advancing GI. The widely acclaimed inventor of the World Wide Web, Sir Tim Berners-Lee, gave the opening keynote speech at this year's research conference, Terra future™. The event showcased leading-edge technologies and ideas from business, research and academia. It included practical solutions being shaped today and those still in the lab. More than 130 delegates attended



to explore new and evolving technologies, changes in society and consumer demands.

Sir Tim discussed how the semantic web – an automated extension of the Web using machine-readable information to share and reuse data – has the potential to boost its reach and functionality.

Ease of use was an integral consideration in a series of themed workshops exploring the future of transport, information integration in a knowledge-based economy and the impact of an ageing population. Dr Tracy Ross, a research fellow at the Ergonomic and Safety Research Institute at Loughborough University, said advances in location technology and digital mapping would offer new opportunities for mobile products and applications that enhance people's lifestyles. She said: *'The whole of society should be able to benefit from such new technologies, and not be presented with barriers to use. Inclusive design, taking account of the needs of a growing older market, can ensure the potential benefits of location-aware services and can be fully exploited both for the benefits of society and the industry.'*

Following Terra future, our Research Labs team hosted an event focusing on how different kinds of information can be brought together with geographic data in *mash-ups*. Experts from a variety of organisations shared their ideas and experience.

We won an award at the international conference of one of our strategic technology partners, ESRI®. The President's Award was in recognition of how we have developed from a traditional mapping organisation into a geospatial information business.

Open standards

We work closely with the Open Geospatial Consortium (OGC) to develop open standards for the exchange of GI. The OGC is a worldwide forum of more than 300 member organisations. As a member of the OGC Board of Directors, Vanessa Lawrence plays a key role in driving forward the adoption of open standards at a national and European level.

In the past year we hosted an OGC Board meeting at our head office. OGC Directors took the opportunity to tour our business to see first hand how we deliver our data and products to consistent quality standards.

Championing GI

Grow the GI market and champion the extended use and sharing of GI in the government, business and leisure communities

Under government policy we are a Trading Fund with delegated authority to hold Crown copyright. We are also required to be a fully accredited member of the Information Fair Trader Scheme (IFTS). We fully support the principles underpinning IFTS and continue to develop our relationship with the OPSI in further establishing, embedding and maintaining these standards in our operations.

We continually strive to ensure that trading arrangements are fair, open and transparent. We work on the basis that there should be no discrimination between similar users who wish to use the information for similar purposes. We also aim to secure opportunities to reflect perceived market value and market-based pricing within the context of defined end uses of the licence. In so doing we can strengthen our ability to support a wide range of uses and grow the extended sharing of our information under licence.

Our customers in local and central government receive much of our information through separate collective purchase agreements. They can also licence products outside these agreements if they wish. This year we strengthened our links with Transport Direct, the DfT's award-winning portal of travel information for public transport and car journeys. Launched in 2004, Transport Direct is the first ever website to provide national coverage of all types of transport backed by comprehensive, easy-to-use travel information. Our new contract ensures our products are available to support the service as it develops into the future. Among the portfolio are OS MasterMap ITN data, detailed street-level data and accurate address information for pinpointing 27 million properties.

Ambulance trusts in England this year joined a pilot agreement promoting the wider use of GI across hundreds of NHS organisations in England. More than half of those organisations eligible to join the pilot since its launch in November 2005 have now done so. The agreement, with The Information Centre for Health and Social Care, acting on behalf of the NHS in England, is designed to help managers deliver health services more efficiently,



South Central Ambulance Service, Hampshire Division

identify health inequalities by analysing a range of research and other data, and target frontline services to clinical hot spots.

We also signed a Memorandum of Understanding with the Office for National Statistics (ONS) to support preparations for the next Census, due in 2011. ONS is consulting census data users on their requirement for aligning statistical output areas with data from the OS MasterMap Topography and Address Layers.



We will work together to test major innovations in the use of spatial addressing information in advance of a rehearsal of field and operational procedures and systems in 2009. A key goal will be to maximise the completion and return of census questionnaires.

In the utilities sector we continue to support the work of the National Underground Assets Group (NUAG), which has set out a vision for the future of buried services. NUAG aims to develop and implement standardised procedures on how location information is recorded and stored by the end of 2007.



This is to ensure that every organisation with an interest in buried services can access and share information easily, to help themselves as well as others carry out works more effectively. The ultimate goal is to have the ability to visualise and distinguish – on demand – all underground asset records in any one given area.

NUAG was set up to champion better coordination between different organisations, including highways agencies, utility companies, pipelines companies, civil engineers, surveyors and regulators. The group is now working with the DfT to develop standard processes to help coordinate activities that underpin the Traffic Management Act.

Outdoor leisure

Once again we sponsored the Ordnance Survey Outdoors Show at the Birmingham NEC, reinforcing our relationship with the outdoor leisure market and promoting our paper maps and partner products. This year's show, opened by Vanessa Lawrence and The Rt. Hon. Richard Caborn MP, Minister for Sport, attracted more than 37 000 visitors. As well as a vast range of exhibitors, the event was the venue for the IFSC European Bouldering Championships and the indoor Peak UK Kayaking Challenge.



In May 2006, Vanessa was invited to open the annual Isle of Wight Walking Festival along with island MP Andrew Turner. The Festival is the UK's largest event of its kind and features some 190 different walks over the course of two weeks. Our support for the Festival is another part of our wider commitment to promote the use of GI in outdoor leisure activities.

Sustaining a profitable business

Generate profitable revenue that will fund continuous improvement in database content, data structure, data delivery, up-to-dateness, fitness for purpose and accuracy

It is vital for us to deliver our profit targets so that we can secure financial sustainability over the long term. Our licensing receipts, tight control on expenditure and good corporate governance all help. The goal is a sustainable platform of investment in high-quality, integrated data based squarely on customer need. The issues of fitness for purpose and up-to-dateness are crucial.

Our financial performance has enabled us this year to improve the quality of our data in a number of respects described elsewhere in this report, notably in the OS MasterMap Address and ITN Layers.

We also commissioned and installed a £2 million, six-colour print press, one of the biggest in the country. Capable of printing 14 000 large map sheets every hour, it represents a significant investment in added efficiency for the printing of our paper maps.

As well as investment in our own products, our licensing policies empower others to innovate in applications areas, confident of the national consistency and currency of the data they use.

A key point sometimes overlooked is that Crown copyright does not necessarily require payment. In some circumstances we can license without charging.

There are many very good examples where people can interface with our data free at the point of use over the Web. In the private sector, one of the most popular examples is Google® maps. We license data via one of our partners who in turn supply to Google, which is free to anyone.

Public-sector examples include the planning portal, Transport Direct and the Edina service, free at the point of use to staff and

students at subscribing further and higher education institutions across the country. The service allows users to view, print and download maps of any location in Great Britain at a series of predefined scales. Many local authorities also include our data on websites free at the point of use.

Any member of the public can acquire extracts of our mapping, including the detailed 1:25 000 scale OS Explorer Maps, totally free of charge through our own website.

For paying customers, there are many cost-effective ways to acquire specific areas of even the most detailed mapping at affordable prices. These include our Licensed Partners and our specialist retail network, Ordnance Survey Mapping and Data Centres.

While it is true that corporate users of our most detailed OS MasterMap portfolio might be required to pay much larger sums, our prices are graded so that small users pay much less than corporate ones, and of course smaller areas cost less.

Users who wish to copy our maps for business purposes can do so for as little as £47.50 a year; less than a £1 a week.

We have twin obligations to license Crown copyright data appropriately and ensure we do not provide commercial advantage to any one partner over another. Based on our financial performance, we always attempt to strike an appropriate, risk aware and commercially focused balance. This is reflected in our trading terms.

Striking the right balance offers a sustainable funding model, which in turn means we can create high-quality, accurate products for customers and encourage the widespread licensing of our information.

Employee care

Provide a working environment that fosters leadership, personal development, innovation, and team working

Preparing our staff for the expectations of today's business challenges and those yet to come is a major commitment for us. This year we signed a contract with the developer Kier Property to take forward our plans to build a new head office at Adanac Park on the edge of Southampton. The next stage is to progress a planning application.

Our existing site – opened by Her Majesty the Queen in 1969 – was designed when business and technology needs were markedly different to today. At that time there were more than 3 000 head office staff, compared to current numbers of 1 150.

Our main building is expensive to maintain, despite significant improvements, and would need even more extensive investment to stay in line with modern standards.

Adanac Park, which is within Test Valley borough, offers a much more sustainable solution with the prospect of modern design reflecting energy efficiency. It is intended to house existing staff numbers while recognising future needs and patterns of work.

Learning and development

During 2006 we built on our established in-house learning and development portfolio, adding eight new courses, two new programmes and updating five existing courses. As a result of this, more than half of all training days spent last year were on in-house courses run largely by our Organisational Development team.

We have continued our successful *masterclass* series covering a range of developmental topics. We ensure that staff based around the country can take advantage of the *masterclasses* by making footage of the sessions available as DVDs and also placing them online for instant download. We also use MP3 files to make our director events, such as Speakeasys or Business Health Checks, easily accessible to all staff.

We have continued to develop our senior team via the Professional Skills for Government programme, with many already working on their development. This year also saw the launch of Future Leaders in the Field – aimed specifically at our field-based staff. We also launched the third Future Leaders programme. These programmes give us the opportunity to nurture in-house talent for successive years.

To support our staff annual review process, Managing Your Contribution (MYC), we developed new pocket-guides. These were distributed to all staff to help with personal development planning and MYC target setting.

We also 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. The survey gained a response rate of 62.7%.

Pay issues

In August 2006 we implemented a two-year pay offer following lack of agreement with trade union representatives that resulted in some staff taking industrial action. While recognising the strength of feeling among trade union members, we acted to support all our staff across Great Britain who saw months of negotiations end without a resolution. We are an organisation that respects and supports trade unionism. We regret the lack of agreement on the offer but as there was no progress on substantive issues, we had no alternative but to implement it. The offer was fair, realistic and affordable given market conditions. It was developed to ensure the sustainability of the organisation at a time of increased challenges in the marketplace.

Health and safety

For the second year running, we received an International Safety Award (ISA) from the British Safety Council, acknowledging our policies, plans and commitment to health and safety. All nominees were required to report a below-average accident rate within their own industry sector, with winners boasting significant advances in their health-and-safety procedures. Entrants were assessed on their success in reducing accidents in the workplace and were required to demonstrate board-level commitment to achieving this.

Our success followed a year of significant advances made to our health-and-safety policy. A series of *safety cases* was developed to tailor standard guidelines and provisions to our various business environments, from survey staff working in our field offices across Great Britain to employees operating print machinery at our head office.

These electronic policy documents offer information, guidance and support to staff on health-and-safety matters specific to each area of the organisation and provide links to external advisory resources. Their development further raised staff awareness of health-and-safety matters and reporting procedures, ensuring the continued recording and remedy of accidents and near misses.



This year there were reductions in accident rates, lost time due to accidents and, of particular interest, reductions in RIDDOR injuries reportable to the Health and Safety Executive (HSE). We had several cordial visits by the HSE to explore certain operational practices within our print facility in an effort to reduce the need for manual handling where practical.

We are committed to raising staff awareness of safe working practices and promoting open reporting procedures so near misses do not become accidents. We are proud to exceed manufacturing industry reporting targets and to have this achievement acknowledged on a global scale.

Environment

The three main drivers for an Environmental Management System (EMS) are legislation, sustainable operations on the government estate targets and Corporate Social Responsibility. Our EMS is available to all staff via our Intranet and is divided into five sections: energy, procurement, travel plan, waste and water. This is in support of a recently reviewed environmental policy to help manage our performance and reduce the environmental impact of the business. We continue to implement initiatives enabling staff to participate in supporting the environmental policy. This includes the introduction of eco partners across each business unit.

Under our Agency Performance Monitors, we have a target to reduce energy emissions from our head office. We are required to achieve a 28% reduction on the baseline year (2000–01) of 1 656.66 tonnes of carbon. This year we recorded 959.18 tonnes, representing a 42% reduction on base year.

Approximately 50% of our electricity requirements are met by our own gas fired plant. The waste heat from the plant is still being used to heat the building, reducing carbon emissions. The remainder of our electricity is obtained from the grid under a contract where electricity is generated from a renewable source. Ordnance Survey thus exceeds government targets to obtain at least 10% of electricity from renewable sources.

We have continued to improve our environmental evaluation of products and supplies by the introduction of an environmental questionnaire. This questionnaire will be given to suppliers to measure their performance in relation to our

environmental policy as well as best value and minimising risk.

Travel Plan

Our Site Travel Plan, now in its fourth year, encourages other forms of travel to our head office site and, where possible, regional offices, instead of car commuting. Single occupancy car commuting has decreased from our survey in 2002. A number of initiatives have been put in place to support this change such as a car-sharing scheme and cycling, walking and motorcycle promotions. We continue to encourage bus use through the sale of on-site tickets, promotions via bus groups and Southampton City Council, and our own bus user group.

Single-occupancy car commuting:

Date	% single occupancy car commuting
2002	61%
2005	58%
2006	56%

Car sharing:

Date	Groups joining	% of new groups	Total
December 2004	Relaunch		
March 2005	71	71%	71
2005-06	23	32%	94
2006-07	13	14%	107

Cycling:

Date	Average number of cyclists per day
2003-04	53
2004-05	60
2005-06	79
2006-07	82

Water

We continue to monitor our water consumption and to manage any unusual trends with regard to managing consumption in line with government targets.

Waste

We are working towards government targets to increase recycling figures to 40% of waste arisings by 2010, and to reduce waste arisings by 5% by the same year, relative to 2004-05 levels.

We continue to review our waste streams to prevent waste at source and minimise waste to landfill. We have recently introduced plastic bottle recycling and plastic cup recycling in our staff restaurant.

2003-04	
Office waste recycled 12%	Non-office recycled 48%
Office waste landfill 88%	Non-office landfill 52%
2004-05	
Office waste recycled 9%	Non-office recycled 50%
Office waste landfill 91%	Non-office landfill 50%
2005-06	
Office waste recycled 11%	Non-office recycled 40%
Office waste landfill 89%	Non-office landfill 60%
2006-07	
Office waste recycled 16%	Non-office recycled 51%
Office waste landfill 84%	Non-office landfill 49%

Advice to government

Advise the UK Government on all aspects of survey, mapping and GI

Our Director General is the official adviser to the UK Government on all aspects of survey, mapping and GI, and can therefore be called on by any central government department for such advice.

This year we provided both written and oral evidence to the Science and Technology Select Committee inquiry into UK Space Policy. The maximisation of commercial benefits and wealth creation from the Galileo satellite system was just one facet of their overall investigation.

We have also responded to a number of government consultations. They include those by the ONS on the design of output areas for census data, by the DfT on in-vehicle navigation systems, and by Defra on integrated coastal zone management as part of their preparations for the Marine Bill.

In addition to our short-term advisory role to government, we support the work of the government's Geographic Information Panel, which is seeking to create a longer-term, UK-wide location strategy. The Panel aims to support the wider exploitation of GI in applications and services based on reliable data, common standards and sustainable funding. The challenge is to formulate a consistent, national approach that supports regional strategies and other initiatives, taking in a wide range of stakeholder views.



In 1969 Ordnance Survey moved to its present, purpose-built head office at Maybush, Southampton.



Our business performance over the financial year is measured externally against five targets set by government.

The Key Performance Indicators (KPIs) reflect our focus on delivering intelligent GI to ensure the satisfaction of the national interest and the needs of the customer.

The monitors detailed below include a focus on the financial performance in the year, efficiencies in data collection and supply, achieving value for money for all stakeholders, an increasing focus on online services and a commitment to wider government policies. Progress towards their achievement is reported to staff on a monthly basis and regularly reviewed by our Strategy Board.

APM 1 – Finance

- To achieve an operating profit before interest and dividends of £4.5 million for the financial year 1 April 2006 to 31 March 2007.

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

Actual performance: £6.2 million

APM 2 – Currency

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

The components of this monitor remain unchanged from those for 2005–06.

Actual performance: >99.8%

APM 3 – Quality of Service

- To continuously improve the timeliness of the supply of our data to customers with a success rate not lower than 96%.

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

Actual performance: 99.13%

APM 4 – Environment

- To reduce carbon emissions from Ordnance Survey head office by 28% against the base year of 2000–01.

This target supports the agreed Government objective of reducing energy consumption across all departments.

Actual performance: 42% reduction

APM 5 – E-business

- To achieve an improvement of 5% in business on 2005–06 baseline transaction levels (81 144 transactions) through our OS MasterMap service and Ordnance Survey Leisure Map Shop e-channels.

This monitors the development of Ordnance Survey’s e-business and focuses on all products ordered electronically through the Leisure Map Shop, Ordnance Survey Mapping and Data Centres and the desktop mapping system. The monitor counts the number of individual items ordered, not the number of orders.

Actual performance: 15.5%

While discussions with our stakeholders have taken place, on the measurement of performance going forward, the targets for Ordnance Survey remain to be finalised for the financial year 2007–08.

Other measures used by senior management

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

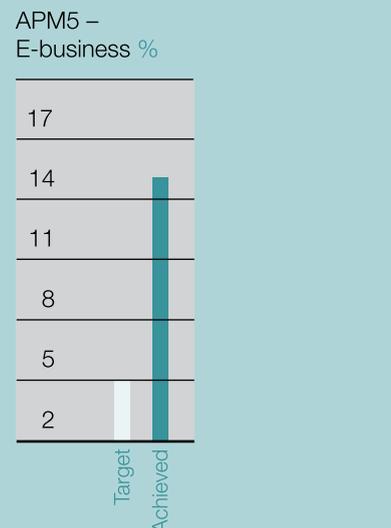
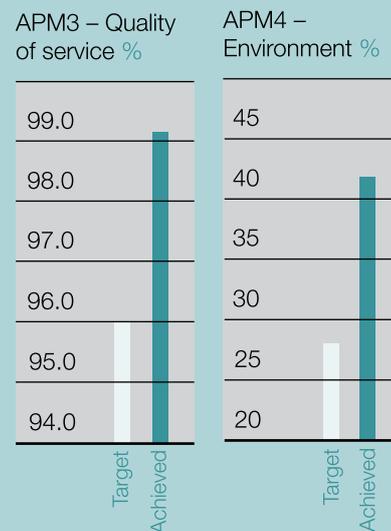


Vanessa Lawrence
Director General and Chief Executive



Alastair Matthews
Finance Director

Performance against key agency targets



1 Remuneration policy

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

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

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

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

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

2 Service Contracts

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

3 The Remuneration Committee at 31 March 2007

The Remuneration Committee is chaired by the Director General and Chief Executive, Vanessa Lawrence, and meets at least annually to agree the remuneration policy and practice for Executive Directors and other senior staff. Judith Anthony (until 1 June 2006), Piers White and Brian Hadfield (from 1 June 2006), as Non-Executive Directors, and Jan Hutchinson, Director of Human Resources and Corporate Services, served on the Remuneration Committee. The Director General and Chief Executive is not present for discussions on matters concerning her remuneration; at these times her place is taken by Jan Hutchinson, Director of Human Resources and Corporate Services.

4 Directors' remuneration

The most senior members and key decision makers of Ordnance Survey are the members of the Strategy and Operating Boards, details of whom are contained in the Foreword to the accounts. The salary and the value of any taxable benefits in kind of the most senior members of Ordnance Survey were as follows:

	Salary 2006–07, including performance pay	Salary 2005–06, including performance pay
	£'000	£'000
Vanessa Lawrence Director General and Chief Executive	185–190	180–185
Neil Ackroyd Director	125–130	130–135
James Brayshaw Director	135–140	130–135
Peter ter Haar Director (From 1 November 2006)	35–40 (85–90 full year equivalent)	–
Jan Hutchinson Director	115–120	115–120
Alastair Matthews Director	125–130	125–130
Ed Parsons Director (Until 28 February 2007)	95–100 (105–110 full year equivalent)	105–110
Duncan Shiell Director	95–100	90–95

- a) Salary includes gross salary, performance pay, recruitment and retention allowance and all allowances that are subject to UK taxation.
- b) The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue and Customs as a taxable emolument. In 2006–07 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 £3 100 and £800.
- c) The Director General and Chief Executive's remuneration for 2006–07 includes a bonus paid in respect of 2005–06. The bonus payable for 2006–07 has yet to be approved.
- d) In 2005–06 Neil Ackroyd received a special bonus as acting Director General and Chief Executive for a short period.
- e) The Chief Technology Officer resigned on 28 February 2007 under the Civil Service Compensation Scheme under early severance terms.

5 Directors' pensions

	Real increase in pension and related lump sum at age 60	Total accrued pension at 60 at 31 March 2007 and related lump sum	Cash equivalent transfer value (CETV) at 31 March 2006	CETV at 31 March 2007	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	5–7.5 plus 0–2.5 lump sum	15–20 plus 10–15 lump sum	193	261	66
Neil Ackroyd Director	0–2.5 no increase in lump sum	5–10 plus 0–5 lump sum	96	119	22
James Brayshaw Director	0–2.5	5–10	101	125	22
Peter ter Haar Director (From 1 November 2006)	0–2.5	0–2.5	–	8	8
Jan Hutchinson Director	0–2.5 plus 2.5–5 lump sum	5–10 plus 15–20 lump sum	92	117	23
Alastair Matthews Director	0–2.5	5–10	60	83	22
Ed Parsons Director (Until 28 February 2007)	0–2.5 plus 2.5–5 lump sum	5–10 plus 15–20 lump sum	75	82	13
Duncan Shiell Director	0–2.5 plus 0–2.5 lump sum	40–45 plus 120–125 lump sum	877	934	17

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

Vanessa Lawrence and Neil Ackroyd are members of the Classic Plus Scheme. 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.

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

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

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

6 Non-Executive Directors

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

7 Payments to Non-Executive Directors

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

Fees paid to Non-Executive Directors were as follows:

	2006-07 £'000	2005-06 £'000
Judith Anthony (Until 1 June 2006)	0-5	15-20
Sir Michael Bett (Until 1 June 2006)	0-5	15-20
Michael Sommers	15-20	15-20
Piers White	15-20	15-20
Brian Hadfield (From 1 June 2006)	10-15	-
Dr Katherine Innes Ker (From 1 June 2006)	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 52 of the Annual Accounts.



Vanessa V Lawrence
Director General and Chief Executive
22 June 2007



A large number of emergency services, local authorities and central government organisations rely on our information to support civil contingency planning and public safety.

Recruitment activity 2006–07

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

Applicants

Role	Male	Female	Ethnic minority	Form not returned	Number of applicants	Disabled	16–20 years	21–24 years	25–30 years	31–40 years	41–50 years	51+ years	Age not known
Director	48	3	1	20	51	0	0	0	0	2	3	0	46
Senior Manager Head	4	1	0	5	5	0	0	0	0	2	2	0	1
Senior Manager Professional	89	11	3	53	100	0	0	0	1	15	21	19	44
Middle Manager	36	26	8	16	70	0	0	2	14	21	11	5	17
Technical/ Business Manager	235	95	48	103	361	7	1	21	80	87	43	22	107
Technical/ Business Officer	194	26	22	39	224	2	2	29	39	39	50	29	36
Technician/ Service Provider	88	67	16	4	155	1	12	42	27	19	19	19	17
Support	18	1	2	2	19	0	1	2	3	6	2	3	2
Totals	712	230	100	242	985	10	16	96	164	191	151	97	270

Invited to interview

Role	Male	Female	Ethnic minority	Form not returned	Number of applicants	Disabled	16–20 years	21–24 years	25–30 years	31–40 years	41–50 years	51+ years	Age not known
Director	4	1	0	0	5	0	0	0	0	2	3	0	0
Senior Manager Head	2	0	0	2	2	0	0	0	0	0	1	0	1
Senior Manager Professional	17	3	0	5	20	0	0	0	0	6	5	5	4
Middle Manager	13	8	2	5	21	0	0	1	3	10	1	1	5
Technical/ Business Manager	69	30	15	14	100	2	0	4	29	31	11	4	21
Technical/ Business Officer	53	7	6	6	60	0	0	9	15	11	8	4	13
Technician/ Service Provider	22	27	0	0	49	0	2	15	11	7	6	6	2
Support	7	1	1	0	8	0	0	0	1	4	1	2	0
Totals	187	77	24	32	265	2	2	29	59	71	36	22	46

Accepted offer

Role	Male	Female	Ethnic minority	Form not returned	Number of applicants	Disabled	16–20 years	21–24 years	25–30 years	31–40 years	41–50 years	51+ years	Age not known
Director	1	0	0	0	1	0	0	0	0	0	1	0	0
Senior Manager Head	1	0	0	1	1	0	0	0	0	0	0	0	1
Senior Manager Professional	6	0	0	2	6	0	0	0	0	3	2	0	1
Middle Manager	4	3	1	1	7	0	0	1	1	4	0	0	1
Technical/ Business Manager	15	9	3	2	24	0	0	0	5	11	2	1	5
Technical/ Business Officer	12	0	2	1	12	0	0	3	3	1	0	1	4
Technician/ Service Provider	6	7	0	0	13	0	1	5	4	1	1	1	0
Support	1	1	0	0	2	0	0	0	1	1	0	0	0
Totals	46	20	6	7	66	0	1	9	14	21	6	3	12

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Management Board

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

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

At 31 March 2007 the Strategy Board comprised

Vanessa Lawrence	Director General and Chief Executive
Neil Ackroyd	Director of Data Collection and Management
James Brayshaw	Director of Sales and Market Development
Jan Hutchinson	Director of Human Resources and Corporate Services
Alastair Matthews	Finance Director
Peter ter Haar	Director of Products
Duncan Shiell	Director of Strategy
Dr Katherine Innes Ker	Non-Executive Director
Brian Hadfield	Non-Executive Director
Michael Sommers	Non-Executive Director
Piers White	Non-Executive Director

In addition to the Ordnance Survey Directors above, Ed Parsons, Chief Technology Officer, served on the Strategy and Operating Boards until he resigned on 28 February 2007; Judith Anthony and Sir Michael Bett, Non-Executive Directors, both served on the Strategy Board until 1 June 2006.

Company Directorships of Board members in 2006–07

As explained in Note 19, Duncan Shiell, Alastair Matthews, Ed Parsons (until 1 February 2007) and Peter ter Haar (from 31 January 2007) were Directors of PointX Limited, and Vanessa Lawrence was a Non-Executive Director of Communities and Local Government until 25 July 2006. Michael Sommers was a Non-Executive Director of the Department for Work and Pensions, Brian Hadfield was a Non-Executive Director (Chairman) of Sigma Capital Group PLC and Judith Anthony was a Director of An Ju Limited.

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

Audit and Risk Committee at 31 March 2007

At 31 March 2007 the Audit and Risk Committee comprised:

Piers White (Chairman)
Dr Katherine Innes Ker
Brian Hadfield
Michael Sommers

The Remuneration Committee at 31 March 2007

Full details of the Remuneration Committee and the remuneration of Executive and Non-Executive Directors are given in the Directors' remuneration report.

Auditor

The Auditor is Sir John Bourn, Comptroller and Auditor General. The actual costs of the statutory audit services provided by the National Audit Office for 2006–07 are estimated at £71 000 and provision is included in these Accounts (see Note 4).

Results for the year

The surplus for the year is £6 223 000 (2005–06: £7 867 000 before interest and dividends). A dividend of £4 610 000 for the financial year ended 31 March 2007 is payable to 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 Management Review.



Vanessa V Lawrence
Director General and Chief Executive
22 June 2007

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

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

In preparing the accounts the Agency is required to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Agency will continue in operation.

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

1 Scope of responsibility

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

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

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

2 The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Ordnance Survey policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Ordnance Survey for the year ended 31 March 2007 and up to the date of the approval of the Annual Report and Accounts, and accords with Treasury guidance.

3 Capacity to handle risk

In Ordnance Survey we have a comprehensive risk-management process reaching every level of the business under the leadership of our Strategy Board (Ordnance Survey Executive and Non-Executive Directors) and Audit and Risk Committee. Our Head of Corporate Office acts as Chief Risk Officer and 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 currently reviewing our risk-management framework and continually developing a culture to support the effective management of risk while encouraging the controlled risk-taking necessary to deliver the outcomes needed by our customers and partners. We are committed to the ongoing improvement of our risk-management processes and have provided detailed guidance to staff to support our policy, outlining roles and responsibilities and providing a consistent approach to risk management and terminology across Ordnance Survey.

4 The risk and control framework

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

- risks to the achievement of business objectives, from strategic to operational level, are proactively identified, categorised and prioritised through a corporate risk register in a consistent manner throughout the business;
- actions to mitigate identified risks to acceptable levels are designed, assigned an owner, implemented and reviewed for effectiveness;

- risks are evaluated for potential impact, likelihood and proximity and regularly reviewed to ensure they remain at an acceptable level to the business; and
- the performance of the overall risk management process is kept under review to ensure it is working effectively and adding value to the business.

Acceptable 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 (including all 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;
- we have established risk committees with responsibility for management, monitoring and reporting of IT Security, Operational Risk and Business Continuity Management. These committees report to the Operating Board and Audit and Risk Committee;
- Investment Group acts as the focal point for the management of risks which are part of our financial investments;
- Corporate Programme Board ensures that risks are taken into account in managing the programmes and projects for which they are responsible through the Programme Delivery Unit;
- Business Group management boards review local risks and provide input into the corporate risk reporting process; and
- the Ordnance Survey Audit and Risk Committee provides independent assessment of the effectiveness of our internal risk-management processes, supported by Internal Audit.

Ordnance Survey is committed to involving stakeholders where practical in the management of risks that impact upon the business. Stakeholder perspectives are considered during the business planning cycle and production of the Business Plan for the Minister through the involvement of the Non-Executive Directors and wide consultation with our customers and partners about our future product development programmes and pricing models.

5 Review of effectiveness of control

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

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

The Strategy Board, who:

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

The Operating Board, who:

- ensure the efficient and effective management of operations designed to ensure implementation of Ordnance Survey's strategy; and

- receive reports on various aspects of the business to ensure internal control is maintained and risk is managed effectively.

The Audit and Risk Committee, who:

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

Internal Audit, who:

- operate to Government Internal Audit Standards;
- carry out a risk-based programme of work aligned with the corporate business planning framework and containing the main business processes, projects, assets, performance, legislative and compliance issues significant to Ordnance Survey's strategic direction, business goals and risk environment; and
- provide reports to me, the Board and the Audit and Risk Committee on: progress with the audit programme; the outcome of individual audits, in the form of an opinion on the effectiveness of the framework of risk management, control and governance in place designed to support the achievement of management's objectives; and, management's proposed actions in response to audit observations on the adequacy of risks mitigation.

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

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

6 Audit Assurances

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

- there is no relevant audit information of which the auditors are unaware;
- I have taken all the steps necessary to ensure that I am 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 establishment 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
Director General and Chief Executive
22 June 2007

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

I certify that I have audited the financial statements of Ordnance Survey for the year ended 31 March 2007 under the Government Trading Funds Act 1973. These comprise the Operating Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

The Director General and Chief Executive 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 Agency'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. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinions

Adverse Audit Opinion

Ordnance Survey's turnover of £116 million derives principally from the exploitation of data held in Ordnance Survey's National Geographic Database, the creation of which has been funded from public monies over many years. As disclosed in Note 1.7 to the accounts, the Agency has not capitalised the costs of setting up and maintaining the data held in the National Geographic Database in its Balance Sheet. In the Agency's view, the data is an intangible fixed asset that does not meet the conditions for capitalisation set by Financial Reporting Standard 10. In my opinion, the data held in the National Geographic Database is a tangible fixed asset that should be capitalised in accordance with Financial Reporting Standard 15. Having taken expert advice about the valuation of the data held, in my view the value to the business is not less than £50 million. Had the data been capitalised at that value, the effect would have been to increase the tangible fixed assets included in the Balance Sheet at 31 March 2007 from £52 million to £102 million.

In my opinion:

- In view of the effect of the decision not to capitalise the data held in Ordnance Survey's National Geographic Database as a tangible fixed asset in accordance with Financial Reporting Standard 15, the financial statements do not give a true and fair view of the state of affairs of Ordnance Survey at 31 March 2007 or of its surplus, total recognised gains and losses and cash flows for the year then ended.
- in all other respects, the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder; and
- information given within the Annual Report, which comprises the Director General and Chief Executive's overview and the Management review, is consistent with the financial statements.

Audit 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 on the 2004–05 accounts (HC84, 2004–05), the facts of which are still relevant to the 2006–07 accounts. I have no further observations to make on these accounts.



John Bourn
Comptroller and
Auditor General
29 June 2007

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

Note:

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

Operating
account for the
year ended
31 March 2007

	Note	2006-07		2005-06
		£'000	£'000	£'000
Turnover				
Turnover from operating activities	2.1	115 490		117 727
Income from investment property	2.2	724		628
Government grant income	2.3	1		1
			116 215	118 356
Operating costs				
Staff costs	3.3	57 379		61 888
Amortisation of intangible fixed assets	7.1	484		464
Depreciation of tangible fixed assets	7.2	5 330		5 711
Other operating charges	4	35 162		42 541
Other operating charges – exceptional	7.2	11 304		–
Total operating costs			109 659	110 604
Operating surplus				
Share of operating profit – PointX	8		34	19
Total operating surplus			6 590	7 771
(Loss)/profit on disposal of fixed assets			(367)	96
Surplus on ordinary activities before interest and dividend payable			6 223	7 867
Interest receivable	5	1 221		1 435
Interest payable and financing charges	5	(742)		(1 291)
Net interest			479	144
Surplus on ordinary activities before dividend payable			6 702	8 011
Dividend payable	6		(4 610)	(2 620)
Surplus for the year			2 092	5 391

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 2007

	Note	2006-07	2005-06
		£'000	£'000
Surplus for the financial year		2 092	5 391
Unrealised gain on revaluation of fixed assets	14.2	115	201
Unrealised gain on revaluation of investment assets	14.2	746	531
Total gains relating to the financial year		2 953	6 123

The notes on pages 57 to 71 form part of these accounts.

Balance sheet at 31 March 2007

	Note	31 March 2007		31 March 2006
		£'000	£'000	£'000
Fixed assets				
Intangible fixed assets	7.1	301		778
Tangible fixed assets	7.2	52 650		55 598
Fixed asset investments				
– Property	7.3	8 660		7 914
– Other investments – PointX	8	95		61
			61 706	64 351
Current assets				
Stocks and work-in-progress	9	1 603		1 396
Debtors	10.1	15 036		14 178
Prepayments	10.2	1 744		1 645
Cash on deposit	15.4	12 800		12 100
Cash at bank and in hand	15.1	2 637		3 070
		33 820		32 389
Creditors – amounts falling due within one year	11.1	(25 070)		(25 654)
Net current assets			8 750	6 735
Creditors – amounts falling due after more than one year	11.2		(154)	(145)
Provisions for liabilities and charges over one year	12		(8 297)	(11 484)
Total			62 005	59 457
Financed by:				
Capital and reserves				
Public Dividend Capital		14 000		14 000
Loans repayable after one year	13	6 695		7 288
General reserve	14.1	23 367		21 018
Revaluation reserve – tangible and intangible fixed assets	14.2	10 129		10 083
Investment revaluation reserve	14.2	7 814		7 068
Total			62 005	59 457

The Accounts were approved on 22 June 2007.



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

The notes on pages 57 to 71 form part of these accounts.

Cash flow
statement for the
year ended
31 March 2007

		31 March 2007		31 March 2006
	Note	£'000	£'000	£'000
Net cash inflow from operating activities	15.2		16 865	14 899
Returns on investments and servicing of finance				
Net interest received	16.1	846		1 044
Net other investment	16.3	–		(75)
Unwinding of early release cost discounts	12.1	(371)		(881)
Net cash inflow from returns on investments and servicing of finance			475	88
Capital expenditure and financial investment				
Net capital expenditure	16.2		(13 735)	(15 440)
Cash outflow before financing and use of liquid resources			3 605	(453)
Equity dividends paid	6		(2 620)	(800)
Management of liquid resources				
(Increase)/reduction in short-term deposits	15.4		(700)	1 900
Financing				
Repayment of deemed loans	11.1		(718)	(862)
Decrease in net cash			(433)	(215)
Cash Movement				
Decrease in cash in the year		(433)		(215)
Cash at bank and in hand at 1 April		3 070		3 285
Cash at bank and in hand at 31 March	15.1		2 637	3 070
Reconciliation to net cash				
Net funds at 1 April	15.4	7 164		8 417
Decrease in net cash		(433)		(215)
Increase/(reduction) in liquid resources – Short-term deposits	15.4	700		(1 900)
Reduction in borrowings – Deemed loans	15.4	718		862
Net funds at 31 March	15.4		8 149	7 164

The notes on pages 57 to 71 form part of these accounts.

Note 1 Accounting policies

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

1.1 Accounting conventions

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

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

1.2 Freehold land and buildings

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

The Ordnance Survey-occupied land and buildings are recorded at the lower of replacement cost and the higher of net realisable value and the value in use (calculated using an appropriate risk adjusted discount factor). The values are included in these accounts on the Ordnance Survey Balance Sheet and details are contained in Note 7.2.

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

During 2007 a contract was signed with a development company to legally dispose of the currently occupied land and buildings, but this agreement is still subject to planning permission for development, which is still to be granted.

There were no additions to land in the year. The market value of the owner-occupied land and buildings was £10 528 000 at 31 March 2007 per a valuation performed by King Sturge. The market value is significantly lower than the balance sheet value largely due to the different basis of valuation defined by the RICS and the assumptions attached to these.

1.3 Investment property

In accordance with SSAP 19, the investment property is carried at the valuation performed on 31 March 2007 by King Sturge. The basis of this valuation is market value and the amount of the valuation was £8 660 000. No depreciation is charged on investment property. Details are included in Note 7.3 and rental income is shown in Note 2.2.

During 2007 a contract was signed with a development company formalising the intention of Ordnance Survey to legally dispose of the investment property, albeit this is still dependent on planning permission being granted for redevelopment.

1.4 Other fixed assets

1.4.1 The minimum level for capitalisation as a fixed asset is £5 000, with the exception of Information Technology (IT) infrastructure and support systems hardware, which is normally £1 000.

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

1.5 Depreciation and amortisation

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

Lives are normally as follows:

Freehold buildings	45 years 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 is calculated at the year end on the valuation by King Sturge (see Note 1.2). For all other fixed assets, depreciation and amortisation charges for the year are calculated on the average asset values for the year (average of values recalculated annually using indices issued by the Office for National Statistics).

1.6 Stocks and work-in-progress

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

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

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

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

1.7 National Geographic Database

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

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

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

1.8 Turnover

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

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

Unpaid copyright invoices for licence fees at 31 March 2007, which may relate to periods after year end, are included in the trade debtors balance. The value relating to the period after 31 March 2007 is included in the copyright revenue in advance balance.

The proportion of the value of invoices excluding VAT raised in 2006–07, which relate to the period after 31 March 2007, irrespective of the date of payment, is included in creditors as copyright and other revenue in advance.

1.9 Pensions

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS). From 1 October 2002, Ordnance Survey staff, as civil servants, may be in one of three statutory based *final salary* defined benefit schemes (*classic*, *premium*, and *classic plus*). New entrants after 1 October 2002 may choose between membership of the *premium* scheme or joining a defined contribution scheme with a significant employer contribution (*partnership pension account*). All employer contributions payable are charged to the Operating Account for the year.

Classic Scheme

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

Premium Scheme

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

Classic Plus Scheme

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

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

1.10 Early release costs

Some staff may be retired early under restructuring arrangements at the discretion of Ordnance Survey. Ordnance Survey is required to pay the pensions of employees who leave early (excluding actuarially reduced retirement and medical retirement) until they reach normal pensionable age. 100% of the costs of funding early leavers prior to 31 March 2006 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 CSV to prefund some of the liabilities relating to compensation for early release. Some unused balances for future years remain at 31 March 2007 and, in accordance with Trading Fund Guidance, the provisions and prepayments are shown separately on the Balance Sheet (see also Note 10.2).

The 2006–07 Operating Account includes a charge of £477 000 in respect of new leavers identified in 2006–07 (£2 892 000 in 2005–06). This charge to the Operating Account reflects the costs of these leavers up to their normal retirement age (see also Note 3.3).

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 £115 490 000 for 2006–07 (£117 727 000 in 2005–06) includes £961 000 (£10 926 000 in 2005–06) in respect of the provision of national interest mapping to 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 2006–07 totalled £724 000 (£628 000 in 2005–06). Incentives in the form of rent-free periods are accounted for by spreading the rent receivable on a straight-line basis over either the relevant lease period or a shorter period ending on a date from which it is expected that the prevailing market rental will be payable under the lease.

2.3 Government grant income

In 2002–03 Ordnance Survey received a government grant of £7 500 towards the purchase of two official cars powered from surplus electricity generated from Ordnance Survey's combined heat and power system. The amount is spread over five years, with £1 500 released to the Operating Account each year and completed in 2006–07.

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:

	2006–07	2005–06
Operations	997	1 009
Sales and Marketing	187	201
Corporate Services	226	243
	1 410	1 453

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:

	2006–07	2005–06
Operations	262	360
Sales and Marketing	8	8
Corporate Services	7	11
	277	379

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:

	2006–07	2005–06
	£'000	£'000
Wages and salaries	40 543	40 878
Social security costs	3 431	3 437
Pension costs	7 748	7 234
Capitalised labour	(1 876)	(2 061)
Additional early release costs in year (Notes 1.10 and 12)	477	2 892
	50 323	52 380
Temporary/agency/labour costs	15 480	18 780
Temporary/agency/labour – capitalised	(8 424)	(9 272)
	57 379	61 888

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

For 2006–07 employer's contributions of £7 748 000 were payable to the PCSPS (£7 234 000 for 2005–06) at one of four rates in the range 17.1 to 29.0% of pensionable pay, based on salary bands (the rates in 2005–06 were between 16.2% and 24.6%). 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 2006–07 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

As described in Note 1.9, employees joining after 1 October 2002 could opt to open a partnership pension account – a stakeholder pension with an employer contribution. Ordnance Survey had eight members of the partnership pension account 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. Contributions prepaid at that date were nil.

In 2006–07 there was one retirement on ill-health grounds amounting to an additional accrued pension liability in the year of £nil (in 2005–06 no persons retired).

4 Other operating charges

	2006–07	2005–06
	£'000	£'000
Included in other operating charges are:		
Staff travel and subsistence	3 714	3 951
Research and development	1 758	1 649
Operating lease charges		
– equipment and vehicles	1 960	1 830
– land and buildings	531	587
Auditors' remuneration and expenses		
– Audit services	71	64
Foreign exchange losses/(gains) (net)	3	(7)

5 Interest receivable and payable

	2006–07 £'000	2005–06 £'000
Interest receivable		
Balances at the account with HM Paymaster	157	176
Short-term deposits with the National Loans Fund	1 053	1 259
Other	11	–
	1 221	1 435
Interest payable		
On deemed loans	(371)	(410)
Financing charge – unwind of provision discounts (Note 12.1)	(371)	(881)
	479	144

6 Dividend payable

The 2004 Framework Document determined that from 2004–05 Ordnance Survey should calculate its net operating surplus for the year after application of interest charges and either retain the surplus in the business or pay dividends on Public Dividend Capital in proportions to be agreed by the responsible Minister. £800 000 was paid in 2005–06 in respect of the results for 2004–05 and a further £2 620 000 paid in 2006–07 in respect to the results for 2005–06. The amount payable for 2006–07 is £4 610 000 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
Cost or valuation	
At 1 April 2006	2 511
Additions	20
Disposals	(70)
Revaluation	(13)
At 31 March 2007	2 448
Amortisation	
At 1 April 2006	1 733
Charged in year	494
Disposals	(70)
Revaluation	(10)
At 31 March 2007	2 147
Net book value	
At 1 April 2006	778
At 31 March 2007	301

The net book value of intangible fixed assets according to the historical cost accounting rules at 31 March 2007 is £451 000 (£810 000 at 31 March 2006).

7.2 Tangible fixed assets

	Freehold land and buildings	Equipment, facilities and fixtures	Vehicles	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2006	19 425	35 340	246	26 807	81 818
Additions	–	3 753	–	10 425	14 178
Transfer on completion	–	2 834	–	(2 834)	–
Disposals	(265)	(3 088)	(22)	–	(3 375)
Revaluation	–	1	1	–	2
Impairment	–	–	–	(11 304)	(11 304)
At 31 March 2007	19 160	38 840	225	23 094	81 319
Depreciation					
At 1 April 2006	–	26 016	204	–	26 220
Charged in year	671	4 675	22	–	5 368
Disposals	–	(2 860)	(21)	–	(2 881)
Revaluation	–	(39)	1	–	(38)
At 31 March 2007	671	27 792	206	–	28 669
Net book value					
At 1 April 2006	19 425	9 324	42	26 807	55 598
At 31 March 2007	18 489	11 048	19	23 094	52 650

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

The Ordnance Survey-occupied land and buildings are carried at the depreciated valuation performed by King Sturge on 31 March 2006 (see Note 1.2), being the lower of carrying value and the higher of net realisable value and the value in use (calculated using a discount factor of 2.2%, being the HM Treasury real rate).

Assets in course of construction at 31 March 2007 total £23 094 000 and relates to the development of an integrated data capture, storage and maintenance infrastructure.

£11 304 000 of development costs previously held in the Asset in Course of Construction balance has been charged to the Operating Account in the year. This is as a result of an impairment review to establish the recoverable amount on adoption during the year of an alternative approach to implementing components of an integrated data capture, storage and maintenance infrastructure.

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 2006	8 649	36 798	36	45 483
At 31 March 2007	7 939	34 534	24	42 497

7.3 Fixed asset investments – property

	2006–07 £'000	2005–06 £'000
Balance at 1 April	7 914	7 383
Revaluation in the year	746	531
Balance at 31 March	8 660	7 914

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

8 Other investments – PointX Limited

PointX Limited is a joint venture company set up to develop and market a points of interest database covering Great Britain. Ordnance Survey is represented on the Board by three Directors. At 31 March 2007 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 2007 PointX had a turnover of £812 000 (2005–06 – £711 000) and expenditure of £744 000 (2005–06 – £673 000), with no tax charge being required due to the availability of tax losses brought forward into 2006–07. Ordnance Survey's 50% share of the net profit is therefore £34 000 (£19 000 profit in 2005–06).

An interest-free loan was agreed on 30 March 2001. £689 600 was drawn down by 31 March 2006; no further amounts utilised in 2006–07. The amount drawn down is included on the Balance Sheet. The maximum agreed loan is £750 000 and the undrawn amount is disclosed in Note 17 – Financial Commitments.

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

The investment in PointX at 31 March is as follows:

	2006–07 £'000	2005–06 £'000
Share of gross assets	224	284
Share of gross liabilities	(819)	(913)
Loan	690	690
	95	61

9 Stocks and work-in-progress

	2006–07 £'000	2005–06 £'000
Finished goods	1 265	1 151
Work-in-progress	338	245
	1 603	1 396

Included in work-in-progress are long-term contract balances of £21 000 (£45 000 in 2005–06).

10.1 Debtors

	2006–07 £'000	2005–06 £'000
Amounts falling due within one year:		
Trade debtors (see also Note 1.8)	9 806	10 286
Accrued income	5 126	3 765
Staff debtors and advances	36	44
Accrued interest receivable	36	31
	15 004	14 126
Amounts falling due over one year:		
Staff debtors and advances	32	52
	15 036	14 178

Notes:

- Trade debts are shown after a provision of £486 000 (2005–06 – £355 000). Bad debts totalling £147 000 were written off in 2006–07 (£2 000 in 2005–06).
- No debts were owed by Directors at year end.

10.2 Prepayments

	2006–07 £'000	2005–06 £'000
Prepayments	1 711	1 570
Prepayment of early release liabilities due over one year (Note 1.10)	25	73
Other prepayments due over one year	8	2
	1 744	1 645

11.1 Creditors

	2006-07 £'000	2005-06 £'000
Amounts falling due within one year:		
Copyright and other revenue in advance	5 412	5 576
Trade creditors	3 510	2 482
Other creditors	1 913	1 720
Accruals	5 340	7 922
Value Added Tax	317	276
Dividend payable (Note 6)	4 610	2 620
Long-term loans repayable in one year	593	718
Early release costs payable within one year (Note 12)	3 375	4 340
	25 070	25 654

11.2 Creditors

	2006-07 £'000	2005-06 £'000
Amounts falling due after one year:		
Copyright and other revenue in advance	154	145

12 Provisions for liabilities and charges

12.1 Early release and pension commitments

	2006-07 £'000	2005-06 £'000
Balance at 1 April	11 239	12 962
Transferred to short-term provision in the year	(65)	(18)
Less amounts falling due within one year (Note 11)	(3 375)	(4 340)
Additional provision (Note 3.3)	477	2 892
Element of new provision paid in year	(432)	(1 138)
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)	371	881
	8 215	11 239

The above amount is estimated as falling due as follows:

	£'000
2008-09	2 750
2009-10	2 098
2010-11	1 491
2011-16	1 876
	8 215

12.2 Provision for onerous leases

As a result of regional office closures	82	245
	8 297	11 484

The provision of £82 000 for onerous leases (£245 000 in 2005-06) covers residual commitments to lease expiry, after application of a risk-factored allowance for anticipated sublet rental income.

13 Loans repayable after one year

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

	2006–07	2005–06
	£'000	£'000
Amounts repayable:		
In two to five years	3 695	4 288
After five years	3 000	3 000
	6 695	7 288

14 Reserves

14.1 Reconciliation of movements in general reserve

	2006–07	2005–06
	£'000	£'000
At 1 April	21 018	15 478
Surplus for the year	2 092	5 391
Early release costs	32	94
Revaluation reserves transfer (Note 14.2)	225	55
At 31 March	23 367	21 018

14.2 Revaluation reserves

	2006–07	2005–06
	£'000	£'000
At 1 April	17 151	16 474
Arising on revaluation during the year (net) analysed below	861	732
Net revaluation losses realised in Operating Account on disposal of fixed assets	156	–
General reserve transfer – gain realised on disposal of fixed asset freehold land and buildings	(180)	–
General reserve transfer – unrealised gains on freehold land and buildings	(45)	(55)
At 31 March	17 943	17 151
Net reserve movements in the year		
Tangible and intangible fixed assets	115	201
Investment assets	746	531
	861	732

Notes:

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

Net book value at 31 March 2007	Revalued	Historic	Difference
	£'000	£'000	£'000
Intangible fixed assets (Note 7.1)	301	451	(150)
Tangible fixed assets (Note 7.2)	52 650	42 497	10 153
Investment assets (Note 7.3)	8 660	846	7 814
	61 611	43 794	17 817
Revaluation losses recognised in operating account			126
			17 943

b) The transfer from the general reserve represents accumulated revaluations realised on disposal of revalued fixed assets the enhanced depreciation on the current accounting basis over the historic cost depreciation charged during the year.

15 Cash flow statement

15.1 Cash at bank and in hand

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

	2006–07	2005–06
	£'000	£'000
Balance held at Paymaster General's Office	2 224	2 777
Balance held in commercial banks and cash in hand	413	293
	2 637	3 070

15.2 Cash flow from operating activities

	Note	2006–07 £'000	2005–06 £'000
Reconciliation of operating surplus for the period to net cash flow from operating activities		6 223	7 867
Operating surplus on ordinary activities before interest and dividend			
Depreciation/amortisation	7	5 814	6 175
Impairment charge	7.2	11 304	–
Share of PointX profit	8	(34)	(8)*
Revaluation losses recognised in Operating Account	14.2	126	–
Loss/(profit) on disposal of fixed assets		367	(96)
(Increase)/decrease in stocks	9	(207)	329
(Increase)/decrease in debtors/prepayments	10	(1 002)	107
Decrease in prefunded early release cost commitments	10	48	94
(Decrease)/increase in creditors	11	(2 619)	2 371
Early release cost adjustment	14.1	32	94
Decrease in provisions for liabilities and charges over one year	12	(3 187)	(2 034)
Net cash inflow from operating activities		16 865	14 899

* Restated by £8 000 to reflect non-cash movement originally analysed in returns on investments and servicing of finance (see Note 16.3).

15.3 Reconciliation of net cash flow to movement in net funds

	Note	2006–07 £'000	2005–06 £'000
Decrease in cash in the year	15.4	(436)	(221)
Cash outflow from decrease in debt financing	15.4	718	862
Cash outflow/(inflow) from increase/(decrease) in liquid resources	24	700	(1 900)
Changes in net funds resulting from cash flows		982	(1 259)
Exchange differences	15.4	3	6
Increase/(decrease) in net funds in the year		985	(1 253)
Net funds at 1 April		7 164	8 417
Net funds at 31 March		8 149	7 164

15.4 Analysis of net funds

	Note	At 1 April 2006 £'000	Cashflow £'000	Exchange Movement £'000	At 31 March 2007 £'000
Cash at bank and in hand	15.1	3 070	(436)	3	2 637
Debt due after 1 year	13	(7 288)	593	–	(6 695)
Debt due within 1 year	11.1	(718)	125	–	(593)
Liquid resources – Cash on deposit	24	12 100	700	–	12 800
Net funds		7 164	982	3	8 149

16 Gross cash flows

16.1 Financing charges and income

	2006–07 £'000	2005–06 £'000
Interest received	1 217	1 454
Interest paid	(371)	(410)
Net interest	846	1 044

16.2 Capital expenditure

	2006–07 £'000	2005–06 £'000
Payments to acquire fixed assets	(14 018)	(15 597)
Receipts from sales of tangible fixed assets	283	157
Net capital expenditure	(13 735)	(15 440)

16.3 Other investments

	2006–07 £'000	2005–06 £'000
Loan to PointX	–	(75)
Net investment	–	(75)*

* Restated by £8 000 to reflect non-cash movement originally analysed in returns on other investments.

17 Financial commitments

	2006–07 £'000	2005–06 £'000
No provisions have been made in these accounts in respect of:		
Contracted capital commitments	32	1 933
Capital authorised by Directors but not contracted	30	393
Undrawn loan commitment – PointX (Note 8)	60	60

18 Operating lease commitments

At 31 March 2007 Ordnance Survey had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	2006–07 £'000	2005–06 £'000	2006–07 £'000	2005–06 £'000
Expiring:				
Within one year	211	260	229	539
Between two and five years	25	87	875	744
After five years	13	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 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 (HMRC) (see Note 2.2).

Ordnance Survey had material transactions with HMRC for payment of rents and service charges where Ordnance Survey occupies accommodation in buildings for which HMRC is the major occupier.

As explained in Note 8, Ordnance Survey and PointX Limited are related parties. During the year Duncan Shiell, Alastair Matthews, Ed Parsons (until 1 February 2007) and Peter ter Haar (from 31 January 2007) 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 2006–07.

During the period to 25 July 2006 Vanessa Lawrence, Director General and Chief Executive of Ordnance Survey, was a Non-Executive Director of Communities and Local Government and Michael Sommers, a Non-Executive Director of Ordnance Survey, was a Non-Executive Director of the Department for Work and Pensions.

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

20 Contingent liabilities

There were no contingent liabilities at 31 March 2007.

21 Post balance sheet events

Financial Reporting Standard 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 9 July 2007.

22 Financial targets and results

The financial objective for the year 2006–07 was to achieve a trading surplus, before interest and dividends of at least £4.5 million (£5.8 million in 2005–06). The trading surplus achieved was £6.2 million (£7.9 million in 2005–06).

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

The operating surplus for the period 1 April 2004 to 31 March 2007 represents an ROCE of 14.0% on completion of the three-year target period.

The above information relates to the requirements of the Ordnance Survey Framework Document.

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

23 Losses, special payments and gifts

- a) In 2006–07 Ordnance Survey wrote off stock valued at £147 000 as a result of new editions of products and the consequential write-off of the obsolete stock they superseded (£355 000 in 2005–06).
- b) Bad debt write-offs of £147 000 were incurred in the year (£2 000 in 2005–06).
- 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 2007 are set out below. All balances are held in sterling:

Financial assets	Fixed rate 31 March 2007 £'000	Fixed rate 31 March 2006	Floating rate 31 March 2007 £'000	Floating rate 31 March 2006	Total 31 March 2007 £'000	Total 31 March 2006
Cash at bank (Note 15.4)	–	–	2 637	3 070	2 637	3 070
Cash on deposit (Note 15.4)	–	–	12 800	12 100	12 800	12 100
Loan to PointX (Note 8)	–	–	–	–	690	690

Cash on deposit at 31 March 2007 consists of seven short-term loans to the National Loans Fund for a weighted average period of 27.0 days at a weighted average interest rate of 5.22%.

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

Financial liabilities	Fixed rate 31 March 2007 £'000	Fixed rate 31 March 2006	Floating rate 31 March 2007 £'000	Floating rate 31 March 2006	Total 31 March 2007 £'000	Total 31 March 2006
Government loans (Note 15.4)	7 288	8 006	–	–	7 288	8 006

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

25 Intra-government balances

	Debtors and prepayments: amounts falling due within one year (Note 10.1 and Note 10.2)	Debtors and prepayments: amounts falling due after more than one year (Note 10.1 and Note 10.2)	Creditors: amounts falling due within one year (Note 11.1)	Creditors: amounts falling due after more than one year (Note 11.2)
Balances with:	£'000	£'000	£'000	£'000
Other central government bodies	1 391	25	9 221	33
Local authorities	636	–	663	25
NHS trusts	54	–	54	–
Public corporations and Trading Funds	–	–	1	–
Bodies external to government	14 634	40	15 131	96
At 31 March 2007	16 715	65	25 070	154

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



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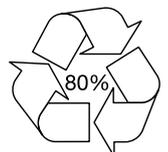
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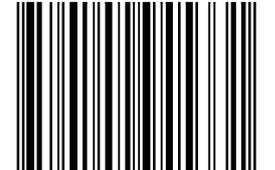
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