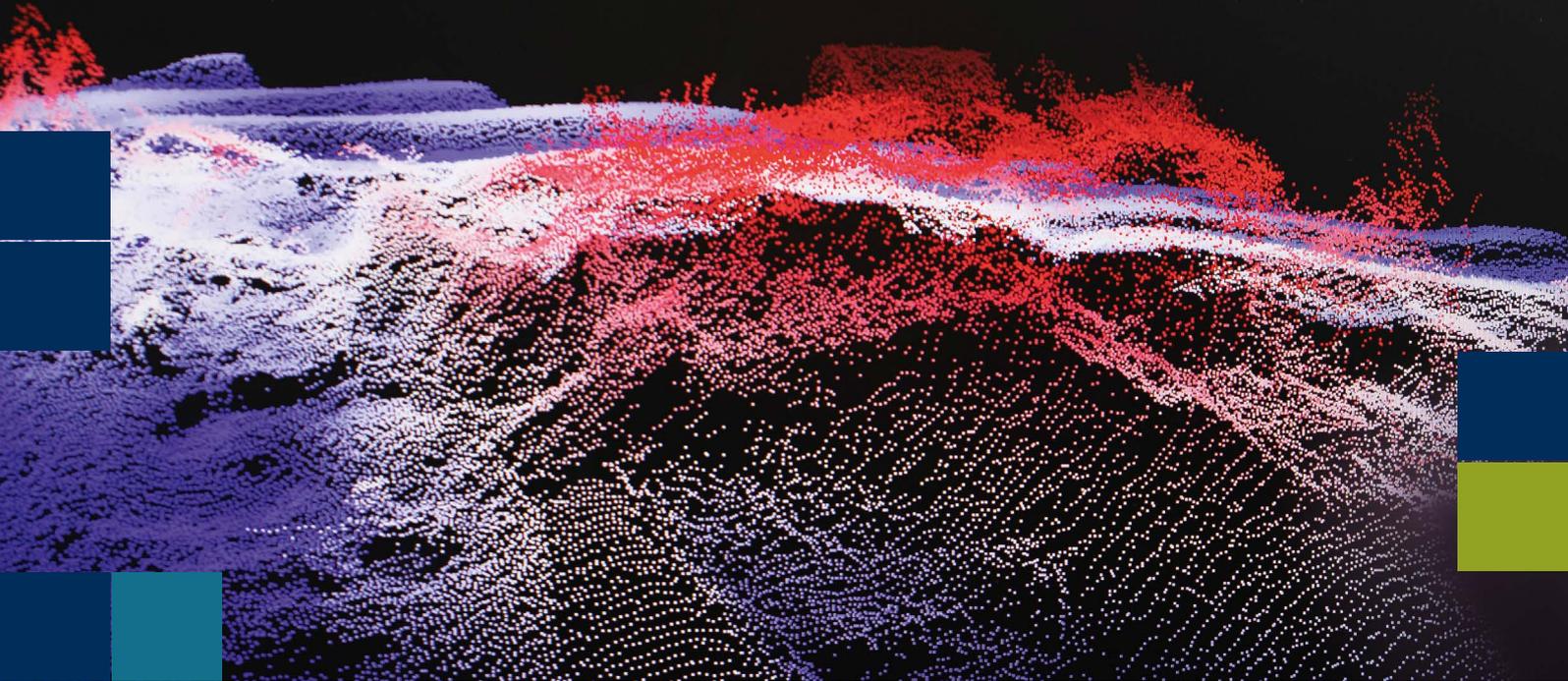




UK Hydrographic  
Office

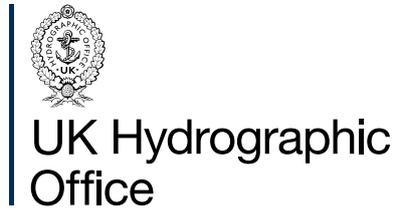
# Marine geospatial data from seabed to surface

Annual Report and Accounts 2019/20



**ADMIRALTY**  
Maritime Data Solutions

HC777



# Annual Report and Accounts 2019/20

Presented to Parliament pursuant to section 4 (6) of the Government  
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Any enquiries regarding this publication should be sent to:



**UK Hydrographic  
Office**

Admiralty Way, Taunton,  
Somerset  
TA1 2DN, United Kingdom  
Telephone +44 (0)1823 484444  
[customerservices@ukho.gov.uk](mailto:customerservices@ukho.gov.uk)  
**[gov.uk/ukho](https://gov.uk/ukho)**

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In an ever-changing world, our oceans are under increasing pressure with advances in technology, busier seas, and pressing environmental challenges.

So, when making use of the marine environment, every decision counts and at the heart of these increasingly important decisions is what we call 'blue data'.

## Highlights

### Revenue

£164.6m

(2018/19: £162.2m)

### Profit on ordinary activities before interest

£35.8m

(2018/19: £40.7m)

### Dividend

£41.8m

(2018/19: £10.7m)

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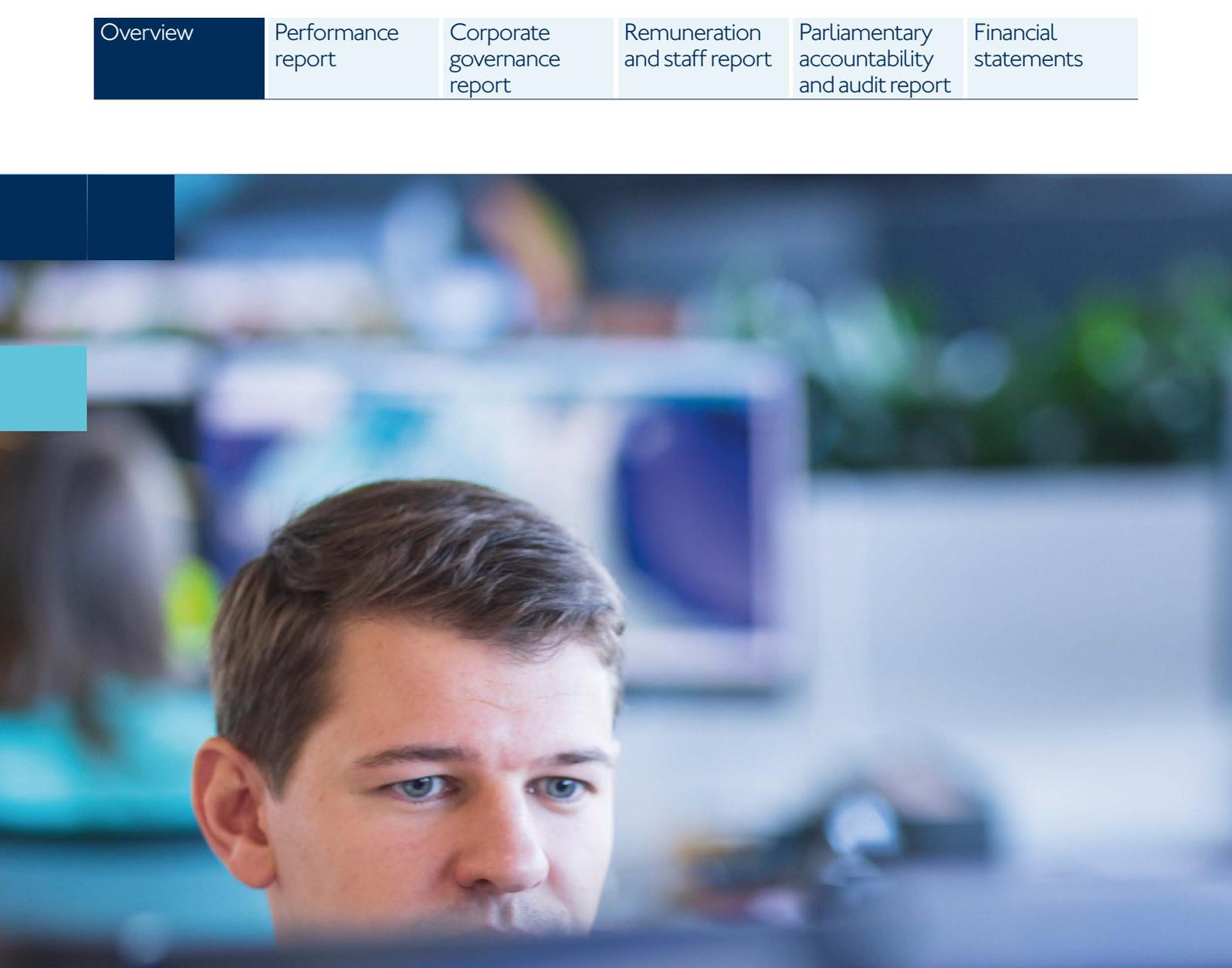
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# Innovation

## From marine mapping to geospatial innovation

Our state-of-the-art headquarters encourages collaboration and champions cutting edge technology and data science capabilities. Innovation is at the heart of everything we do and our ADMIRALTY Marine Data Portal has become the central hub for our information.

› Read more on p24



# Expertise

## From hydrographers to data scientists

All this information is collated, processed and published by our specialist teams, so that we can add value and provide expert solutions.

› [Read more on p25](#)







# Prosperity

From supporting defence  
to promoting sustainability  
in coastal nations

We support safety of life at sea, improve the effectiveness of UK national defence and promote the sustainable use of our oceans for economic growth.

> Read more on p16 and p22

## The Chair's foreword

# We have reshaped ourselves in the last years into a creative, flexible and data-driven organisation.

Adam Singer

2019 was a good year for the UK Hydrographic Office (UKHO) and in any normal annual report I would be celebrating our success. That year, however, is now completely overshadowed by the COVID-19 pandemic.

We don't know how it is going to affect the maritime industry, although global trade will surely suffer, to some degree, and that will inevitably have an impact on us. We do know that ships will still need to get from A to B, and they will need the UKHO. We know, too, that our role in supporting the defence of the UK will remain unchanged.

UKHO has two critical advantages that will help us respond to the crisis. One is historical: we have weathered 200 years, and many crises. The other is recent: we have reshaped ourselves in the last years into a creative, flexible

and data-driven organisation. So we have the skills, and the momentum.

Predicting the future has rarely looked less credible than it looks now, but working with governments and businesses to fill the gaps in their knowledge has been at the heart of some of the most innovative work done by UKHO in the past year. In Kiribati, for example, we used satellite imagery to generate a better understanding of the seafloor in one of the most remote areas of the ocean. This data will enable the authorities to predict the impact of sea-level rise and storm surges, helping them protect communities and marine environments. Our marine data portal is also opening up access to critical information on marine conditions, from the composition of the seabed to tidal changes.

This newly accessible marine data will drive growth in the ocean economy.

In 2019, UKHO also developed data that underpinned research into safe autonomous navigation. The idea of unmanned vessels has not yet captivated a wider public in the way that driverless vehicles have, but 'smart shipping' is probably closer to reality, and it has the potential to transform the maritime industry. We believe the sector could be worth £111 billion by 2030, and it could achieve this growth at a lower carbon cost.

Success in this sector will depend on collaboration. Working with the Maritime and Coastguard Agency, in 2019 we supported the testing of unmanned ships with bespoke marine geospatial data; the project will help refine the regulations that will be needed in the future, when autonomous



**“Safety at sea will come to mean not just physical safety but the kind that only exists within a better environment – and UKHO can play a significant part in making that future possible.”**

technology is deployed in the wild. In another partnership, conducted with the Thales Group we provided three-dimensional, machine-readable data – in place of a traditional chart – that informed a successful trial of unmanned vehicles, operating on the surface, underwater and in the air. The research will inform how military operations can be supported by autonomous vessels in the future.

In all this work, our data science teams are crucial. UKHO data scientists have worked with many areas of the business to develop a machine-learning algorithm that can detect and classify objects within satellite imagery. As the system learns, it becomes ever more accurate in its classifications and predictions.

In 2019, this system allowed UKHO data scientists to automate the task of mapping coastlines. Changes to shorelines, from coastal erosion for instance, can be identified and mapped rapidly, protecting shipping and informing protective measures. The same deep-learning system was used this year on a project to identify coastal mangroves from satellite imagery. Mangroves protect coastlines from erosion and absorb enormous amounts of carbon, but they change over time. Our techniques allow us to plot those changes and provide the data to governments, helping them monitor and minimise environmental damage.

Advances in data science sound futuristic, but they are related to our core public task. UKHO exists to save lives by enabling safe passage, and to support the UK's defence forces and all the global trade that relies on shipping. In the next 10 years, safety at sea will come to mean not just physical safety but the kind that only exists within a better environment – and UKHO can play a significant part in making that future possible.

I think of the COVID-19 pandemic as an act of historical punctuation. We don't know yet if it's going to be a full stop, the end of a chapter or a new book, but we do know that every business and agency within the maritime sector will need to be agile and imaginative in its response.

**Adam Singer**  
Non-Executive Chair

## Chief Executive's foreword

# The UKHO is in great shape to respond positively to the challenges that lie ahead.

Peter Sparkes

For us at the UK Hydrographic Office (UKHO), the sudden need to change how we work served as the ultimate challenge, testing whether we could live up to our ambition of being a truly agile, flexible and technology-driven organisation.

Despite these extremely difficult circumstances, I'm immensely proud of the professionalism, dedication and ingenuity of all our staff who have worked together tirelessly to pass that test.

Our investment in technology meant that 80% of staff were working at home just three days after the UK government's measures on social distancing came into force. Together, we have responded positively, and have been able to provide a continuous service to those who depend on us, including commercial shipping, the Royal Navy and many communities around the world.

For these people and many others, the future has never been more uncertain. COVID-19 will leave a huge legacy. No one knows what the new 'normal' will be or what our ocean community will look like in the future.

Even so, we do know that many pressing global issues will remain. Shipping, the backbone of trade and our global economy, will continue to need to operate safely and efficiently. The Royal Navy will still need to operate to ensure our nation's security, protection of our people and maritime trade. And, as a global community we will need to work together to support the sustainable use of our oceans, allowing coastal communities to thrive whilst protecting a marine environment that's threatened by climate change.

For all these activities, data – from seabed to surface and beyond – will play a critical part. That's why

we are well placed and poised to work with our global partners to ensure our oceans remain safe, secure and thriving, whatever the future holds.

As this report shows, we are already taking great steps to meet this ambition.

Our work alongside the Foreign and Commonwealth Office is helping coastal states build resilience to rising sea levels, redevelop ports and monitor the health of vital ecosystems throughout the Pacific and Caribbean oceans. And our continued support for the Royal Navy is helping to deliver aid to many Overseas Territories when they need it most.

Closer to home, we are opening up access to marine data throughout the UK's territorial waters with our Marine Data Portal, helping emerging sectors – stretching from renewables to

## Chief Executive's foreword continued



“We are well placed and poised to work with our global partners to ensure our oceans remain safe, secure and thriving, whatever the future holds.”

marine archaeology - to thrive. In tandem, work with the Cabinet Office's Geospatial Commission and our partners across the UK's marine community will help improve data collection and collaboration across the sector.

Our work with the International Hydrographic Organization and other organisations is helping to drive forward new S-100 standards. These standards will provide the maritime community with a data framework to develop new products that will help to enhance safety and efficiency across international shipping.

And through innovations in data science, we are pioneering new ways to handle vast amounts of data that will help us to build a clearer picture of our global ocean environment, monitor change and spark innovation.

Our ADMIRALTY Maritime Data Solutions have also gone strength

to strength. The launch of ADMIRALTY Vector Chart Service Online has brought maritime information to a range of shore-based users. All the while, our charts and publications continue to support safe and efficient navigation of ships around the world.

Together, ADMIRALTY products and services has generated over £164m of revenue this financial year and a profit of £35.8m – enabling us to deliver a special dividend of £41m to the Ministry of Defence.

So, while COVID-19 makes the future particularly hard to predict, the UKHO is in great shape to respond positively to the challenges that lie ahead. We have the expertise, agility, flexibility and willingness to adapt and develop our skills and services to meet the ever-changing hydrographic and marine geospatial needs of our

customers and stakeholders, both here in the UK and internationally.

**Rear Admiral Peter Sparkes**

Acting Chief Executive and National Hydrographer

At the time of publishing, Rear Admiral Peter Sparkes is Acting Chief Executive and National Hydrographer of UKHO following the retirement of Tim Lowe from his position as Chief Executive in July 2020

## Strategic review

The UK Hydrographic Office (UKHO) is a world-leading centre for hydrography, specialising in marine geospatial data to support safe, secure and thriving oceans.

See how we are implementing our strategy through the following sections:

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<b>Navigation</b>	18
<b>Blue economy and disaster resilience</b>	22
<b>Seabed to surface</b>	24
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## Strategic review continued

### Revenue (£m)

**£164.6m**

(2018/19: £162.2m)



### Profit (£m)

**£35.8m**

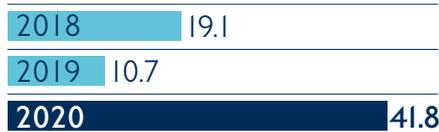
(2018/19: £40.7m)



### Dividend (£m)

**£41.8m**

(2018/19: £10.7m)



### About us

The UK Hydrographic Office (UKHO) is a world-leading centre for hydrography, specialising in marine geospatial data to support safe, secure and thriving oceans.

As an Executive Agency and Trading Fund of the UK Ministry of Defence (MOD), we provide this information and expert advice to UK government as part of our public task.

We also source, analyse and process data from seabed to surface, to help partners around the world make the best use of our marine environment.

This includes mariners and shipping companies, who have used our ADMIRALTY products and services for 225 years for safe and efficient navigation. In the UK, the Royal Navy and other defence users also rely on this data for safe navigation and work with our staff to support operations that help promote peace on a global scale.

Working alongside international governments and commercial partners, we're also gathering data that supports the development of our blue economy, so that our oceans can provide a sustainable source of economic growth. This, in turn, is helping to improve livelihoods and provide jobs in new and existing sectors – from renewable energy and aquaculture, to blue carbon and insurance.

Elsewhere, collaboration with the scientific community is helping us to monitor and manage the health of seas and coastal environments. When paired with cutting edge technologies, our shared data sets are helping to mitigate the effects of climate change and protect our oceans for the future.

Working alongside these partners and others, we will continue to innovate to provide data solutions that meet the changing needs of all those who depend on the marine environment. And together, we will make the best use of our oceans in safer, more secure and more sustainable ways.

### Our public task and trading fund status

As part of our public task, we help UK government to meet its obligations under the International Convention for the Safety of Life at Sea (SOLAS), by providing hydrographic products and services that cover UK waters.

We also represent the UK as experts in the fields of hydrography, oceanography, marine cartography, maritime boundaries and limits and computational astronomy. Our work with the International Hydrographic Organization and its associated bodies helps to set and raise global standards, and the UKHO acts as Primary Charting Authority for 71 coastal states around the world.

With Trading Fund Status, we generate revenue through our commercial products and services. Once marine data has been sourced and carefully analysed by our team of specialists, we make it available to buy through our portfolio of ADMIRALTY Maritime Data Solutions, which includes a range of charts, publications and custom data sets. These sales enable us to fulfil our official responsibilities at no additional cost to the UK taxpayer.

## Strategic review continued

## Defence

Central to our public task is supporting the UK's national security – whether under, on or above sea.

To do so, we not only provide navigational information to ships and submarines, but also share specialist expertise to inform military operations and humanitarian work.

This expertise extends across a range of oceanographic data – from marine mammal activity to weather conditions – all of which are needed to carry out effective defence operations in the UK and further afield.

As part of the Ministry of Defence, we pride ourselves on delivering assured data to our collective armed forces, underpinning operations that help protect our nation and our allied partners.

**“As an island nation, maintaining a clear picture of our waters is integral to our national security. The specialist geospatial information we provide, enables defence users to use the global ocean environment safely and effectively.”**

**Rear Admiral Peter Sparkes**

Acting Chief Executive and National Hydrographer

### Humanitarian Aid and Disaster Relief

**We've seen first-hand some of the pressing challenges posed to coastal states and the devastating impact of natural disasters (see pages 22-23). And in these challenging situations, the Royal Navy has been a lifeline for many communities affected – bringing in aid and relief when they need it most.**

In support of these efforts, we are relied upon to gather the information needed to deliver aid quickly and safely. In the past, this work has ranged from carrying out port assessments and finding alternative landing sites, to conducting surveys necessary to help ships navigate waterways that have been changed by extreme weather events.

In 2019, Hurricane Dorian was one such extreme weather event. The Category 5 hurricane caused widespread devastation for communities across the Caribbean, leaving an estimated 76,000 people in the Bahamas without a home. By helping HMS Protector and RFA Mounts Bay to carry out relief efforts and deliver humanitarian aid, we were able to play a part in supporting those affected.

This year saw a vastly different state of emergency with the outbreak of COVID-19, which not only affected larger nations but many smaller UK Overseas Territories across the globe. In response, our teams were on hand to support the Royal Navy as part of Operation Broadshare, helping ships to reach these territories to deliver emergency supplies such as

food, medicine and personal protective equipment.

We're proud to support the Royal Navy in carrying out this vital work and will continue to support efforts in the aftermath of the pandemic, so that together we can provide emergency relief to those who need it most.



Strategic review continued

Defence continued

# Oceanographic information for the Armed Forces

When protecting the national security of the UK, situational awareness is key. For the Royal Navy, this means having a clear understanding of the marine environment.



We work closely with the Navy to help develop and enrich this understanding. With the help of our marine biologists, oceanographic analysts and other specialists, our teams bring together the information that is needed to carry out safe and efficient military operations. This stretches beyond navigation to include other tactically significant data – from ocean currents and temperature, to weather patterns and geology.

And in the past year, we've been growing our capabilities so that we can process more data and build an even more detailed environmental picture. We achieved this by establishing a brand-new computing environment that will allow us to process and assess up to 200 TB of high-resolution data for our defence partners.

As a result, we're now able to provide richer data for a wider range of activities. For example, for Unmanned Aerial Vehicles,

we can provide expected wind speeds for any hour of the day, for any location, and can even predict the likelihood of disruptive winds occurring – all vital to safe and effective operations.

While this is a single example of just one data set in our catalogue, the computing environment has significantly improved the way we process a range of data so that we can provide the best possible environmental picture for our partners, helping to support the safety and security of our nation.

Strategic review continued

## Navigation

The maritime industry as we know it is undergoing an exciting period of innovation – from recent developments we’ve seen in autonomous technology to emerging new data standards.

As the needs of the mariner continue to evolve, we are evolving our portfolio of ADMIRALTY Maritime Data Solutions so that we can support their safety at sea, as well as wider decision-making across the maritime industry. This has included the launch of AVCS Online for shore-based users and our work across the international hydrographic community to help implement the S-100 data standard.

Building on the strong partnerships we’ve fostered over our 225 years of being a hydrographic office, we are proud to be supporting the latest developments across our community. Together, we are helping users to make safer and more efficient decisions as we welcome the next chapter of digital navigation.

**Our products and services have been trusted for safe, efficient and compliant navigation for 225 years. Now, we’re embracing new technologies to meet the evolving needs of international shipping.**

**Cathrine Armour**  
Chief Customer Officer

# 90%

of ships trading  
internationally rely on  
ADMIRALTY Maritime  
Data Solutions



Strategic review continued

Navigation continued

# Setting foundations for autonomous shipping

The possibility of partially or fully autonomous vessels promises to be nothing short of transformative for the maritime industry.

Image provided by Thales

By 2030, we estimate the global autonomous shipping sector to be worth a staggering £111 billion and employ over 554,000 people. But how can such vessels begin to navigate safely without a full crew on board?

To meet this challenge, we've been developing bespoke data sets to aid vital testing and research. For the Maritime and Coastguard Agency's MARLAB project, we provided data needed to test unmanned vessels and develop future regulations in autonomous technology.

And by working with Thales we've supported important research into how unmanned vehicles could work together to support military operations – whether at sea, underwater or in the air.

These are just two projects that build on groundbreaking research conducted for the Department for Transport in 2018. In this study, we worked with the MCA and leading autonomous systems manufacturer L3Harris to determine how navigational data – ranging from radio signals, regulations, tides and bathymetry

– could be brought together into a single machine readable 'smart' chart for autonomous vessels.

With each study and test project undertaken, we move closer to realising the opportunities of autonomous shipping. And as we move into a new decade, we will continue to collaborate with our partners to support new data requirements and emerging standards, so that we can help support safe navigation for the autonomous vessels of tomorrow.

## Strategic review continued

### Navigation continued

#### The world's leading maritime chart service for shore-based users

ADMIRALTY Vector Chart Service – widely known as 'AVCS' to mariners across the globe – has been relied upon for digital navigation since its launch back in 2008 and is used on over 90% of ships trading internationally.

Now, to bring the benefits of AVCS from ship to shore, we've launched a web-based version of the service: AVCS Online.

AVCS Online was released in May 2019 to specifically meet the needs of users onshore. By providing web-based images of the charts available in AVCS, users get the same view as seen on board a ship, which is useful for a wide range of shore-based decision-making. Shipping companies, for example, can rely on AVCS Online to help with voyage planning and fleet management; while accident and emergency response teams can advise ships with better precision, accuracy and confidence, knowing that they are looking at the same chart for reference.

As well as offering the same look and feel of Electronic Navigational Charts (ENCs) in AVCS, the web-based version also provides much of the same functionality as you would expect from an Electronic Chart Display Information System (ECDIS) used on board, such as display controls and pick reports. And with access to images from over 15,000 ENCs available, the service offers global coverage in a range of scales.



Less than a year after launch, we already have two approved providers of AVCS Online, both of which have web-based systems that are now available commercially. Now, we're working with new and existing Technical Solution Providers alike to develop their own solutions that will help meet the needs of their customers in an increasingly digital environment.



#### See more

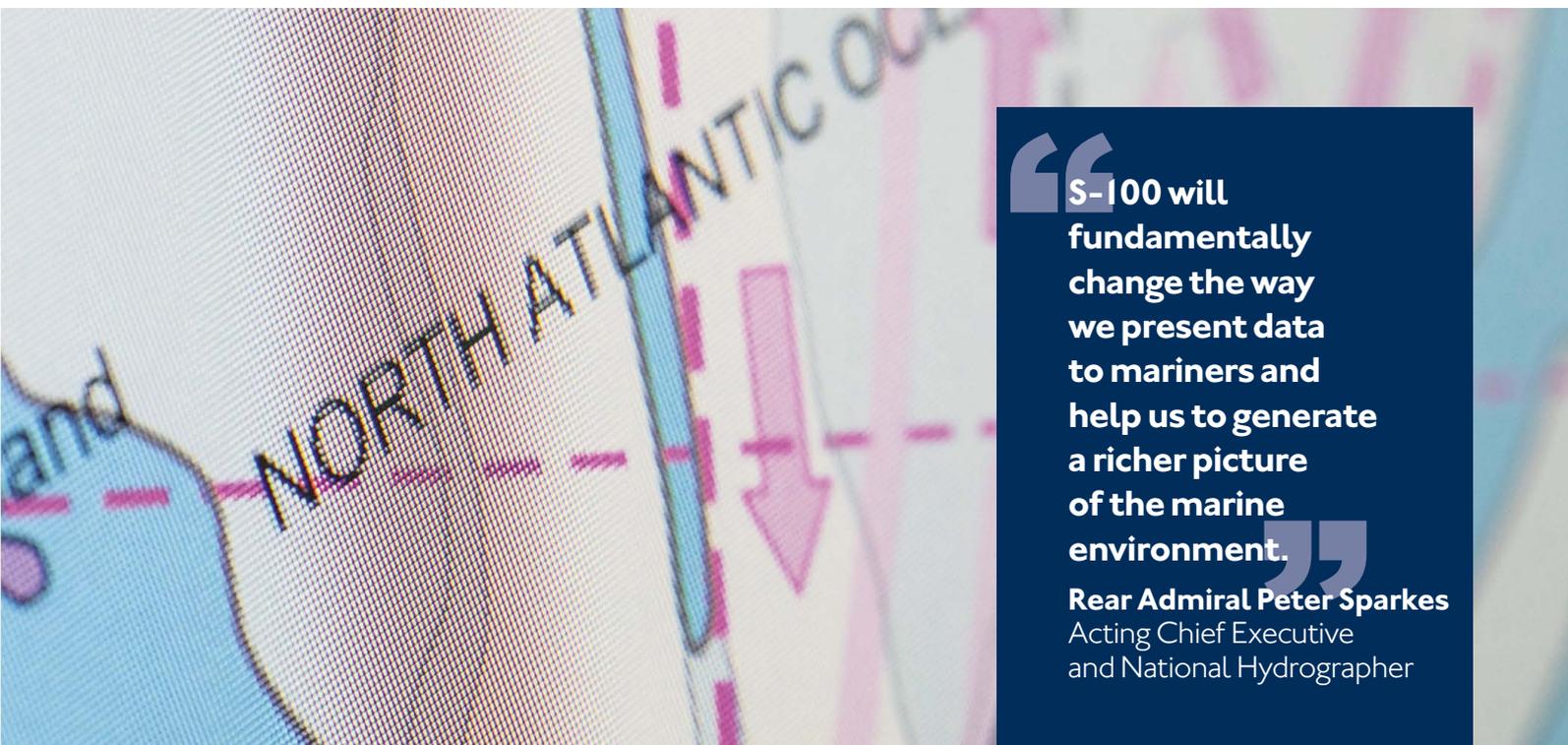
Scan code or go to



<https://www.admiralty.co.uk/digital-services/digital-charts/admiralty-vector-chart-service-Online>

Strategic review continued

Navigation continued



**S-100 will fundamentally change the way we present data to mariners and help us to generate a richer picture of the marine environment.**

**Rear Admiral Peter Sparkes**  
Acting Chief Executive  
and National Hydrographer

## Supporting standards of the future

Today, more data is being collected and shared across the maritime and geospatial industries than ever before, with a greater number of suppliers providing data in an even wider range of formats.

For this data to be accessible, compatible and valuable to those using it now and in the future, having a set of common standards is key.

This is the challenge the International Hydrographic Organization (IHO) sought to address through the new S-100 framework, which offers a universal data standard to enrich the next generation of data products for hydrographic, maritime shipping and geographic information system (GIS) communities.

We've been working hard to support the development and implementation of the S-100 standard and its associated product specifications, starting with the creation of our test S-102 bathymetric surface data set. S-102 contains high resolution profiles of the seafloor that can be used to help reduce the risk and complexity for ships entering and exiting confined waterways.

Trials are now underway to help us understand the internal production process requirements, data coverage and display factors. It is hoped that the test data will be used in a live sea-trial with Electronic Chart Display and Information Systems (ECDIS) to further develop the IHO product specification.

Elsewhere, we have supported the development of the S-121 Maritime Limits and Boundaries product specification

that supports the sharing of maritime boundary information; including maritime limits, zones and boundaries as described in line the United Nations Convention on the Law of the Sea (UNCLOS).

This year also marked the first time we hosted the IHO S-100 Working Group at our new headquarters. The reception offered a valuable opportunity to discuss with our partners the shared challenges of moving towards the new framework, and as this standard evolves, we will continue to collaborate to improve the way geospatial data is used across the international hydrographic community.

Strategic review continued

## Blue economy and disaster resilience

Our oceans not only provide us with essential resources that we rely on day-to-day, but are home to rich and diverse ecosystems. So, when making use of the marine environment, every decision counts.

For developed nations, the prospect of using ocean resources to develop their economy is tantalising. In fact, with innovation across renewables, aquaculture, shipping and more, we estimate that the global blue economy will grow significantly to reach £3.2 trillion by 2030. At the same time, for many small island developing states whose livelihoods depend directly on the ocean, their marine environment can also present challenges – whether in the event of natural disasters or the result of climate change.

For developed and developing nations alike, the greater understanding we have about the world's oceans, the better placed we are to respond to these opportunities and pressures. This understanding begins with having the right information available – which is why we collect and share a wide range of marine geospatial data to help inform decision-making, so that together we can help build a sustainable and thriving blue economy for all.

# £3.2 trillion

The value of the blue economy is estimated to grow from £1.9 trillion in 2018 to £3.2 trillion in 2030.

OECD, UKHO, World Bank



### Helping Kiribati to fight the impacts of climate change

**As we face the unprecedented effects of climate change, so too do our oceans. Sea level rise, in particular, poses an imminent threat to our precious marine environments – a threat that will have life-changing implications for smaller coastal communities.**

One such community is the island chain of Kiribati, comprising 33 islands that share an average height of just 2m above sea level. In fact, the United Nations predicts it could be completely overcome by the ocean within the 21st century.

With sea level rise exacerbating the impact of storms, tsunamis and tidal surges, we've been helping to monitor and mitigate these effects by gathering vital data – starting with the surveys of islands and atolls spread over 3.5 million km<sup>2</sup> of ocean. For this, we captured data depicting the seabed with the use of satellite imagery – this method enabled us to access remote areas of ocean, all while minimising the impact on marine habitats that surround the islands.

This data was handed over to the Kiribati Government last year to help them identify areas most at risk to flooding and plan sea defences accordingly. These will be key steps in guiding

efforts to protect the 115,000 people that call Kiribati their home – but many other small island and coastal states across the globe are facing similar environmental pressures.

As part of global conservation efforts, we will continue to find new ways to support these vulnerable communities, so that we can protect the health of our oceans for generations to come.





## Supporting tourism in the British Virgin Islands

For the British Virgin Islands, like many others in the Caribbean, the ocean plays a key role.

It supports a tourism industry that provides around 1 in 3 jobs, is relied upon as a source of food, and enables trade on an international scale.

Back in 2017, the islands were hit by Hurricane Irma, with homes and businesses devastated by winds upwards of 170mph; this is something our surveyors witnessed first-hand while collecting data in their waters at the time.

Since then, we've returned to gather more data that will help repair the damage caused to its communities and infrastructure.

By collecting bathymetric profiles, tidal information and navigational aids, we supported the reopening of Road Harbour – one of the islands' main transport hubs.

We also worked alongside the UK's Maritime and Coastguard Agency to help authorities share essential safety information with mariners, helping ships to navigate safely in their waters once again.

The data, which was presented to the government in 2019, will also play a part in protecting vital ecosystems, such as mangroves and nearshore reefs; these are not only integral to the islands' tourism industry,

but also act as natural coastal defences and important marine habitats. This data will provide the foundations needed to monitor the health of these ecosystems and manage them more responsibly.

There is still much work to be done in rebuilding the British Virgin Islands following this widespread devastation; but with more comprehensive data, it is hoped this will support the government in building a safer, more resilient future for the island chain in the long term.

## Strategic review continued

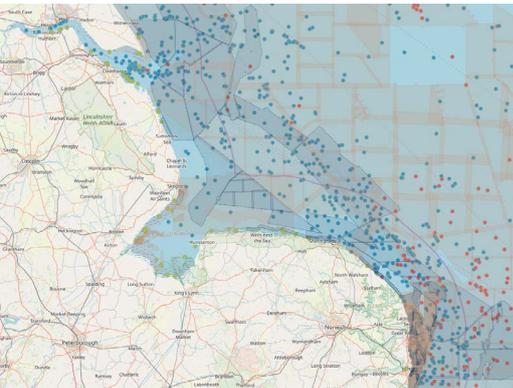
## Seabed to surface

At the UKHO, our teams collate, process and publish terabytes of data – from bathymetric profiles depicting the seafloor, to astronomical data on the celestial objects above us.

As we prepare to enter the United Nations' Decade of Ocean Science for Sustainable Development, bringing together this data and building new partnerships to make the most of it has never been more important.

That's why we've been working hard to make the data sets we hold more accessible for users and more useful for decision-making with the use of automation and data science techniques.

The need for accurate and reliable data will remain essential to the health and resilience of the world's oceans. So, by using the expertise of our teams and the capabilities technology affords us, we're continuing to provide data that meets the requirements of users and the growing needs of the world.



### Unlocking access to a wealth of data

Beyond navigation, the data sets we hold have the potential to inform a much wider range of decisions that can unlock the full potential of the blue economy.

To help make these data sets discoverable, accessible and downloadable to wider users, in 2019 we launched the ADMIRALTY Marine Data Portal: a single access point for a wealth of marine geospatial data – from the seabed to surface.

While traditionally the users of ADMIRALTY products and services have been mariners, the data we've made available will help meet the evolving needs

of existing customers as well as users in new markets.

Through the portal, users can not only access extensive data on bathymetry, but also the locations of wrecks, obstructions and offshore infrastructure within the UK's Exclusive Economic Zone – from pipelines to wind turbines. Information on maritime limits, seabed composition and coastlines are also available, along with a range of apps and APIs.

As well as making such a wide range of data available, the portal was created with users' needs at the forefront. For example, marine information can be easily visualised through interrogable GIS web apps, and data sets can be easily searched and downloaded in a range of formats to suit the user.

The ADMIRALTY Marine Data Portal is also integral to a range of services that support the development of data management solutions, which are grounded in the principles of Marine Spatial Data Infrastructure (MSDI). These services provide coastal states and regions with

easy access to this marine data, and the tools to analyse it online, without having to have their own IT infrastructure or advanced data management skills. By making accurate marine geospatial data available to coastal states, they can independently explore ways to improve their economies and resilience to natural disasters.

**By making marine geospatial data more accessible, we can help governments and businesses to make more informed decisions and enable safe, secure and thriving oceans.**

**Cathrine Armour**  
Chief Customer Officer



**See more**

Scan code or go to



<https://www.admiralty.co.uk/digital-services/data-solutions/admiralty-marine-data-portal>

# Growing knowledge with data science

In recent years, we have seen how data science can transform the way we handle, process and assimilate data.

To automate its creation, our data science, data engineering and remote sensing teams trained a machine learning model to process satellite imagery and recognise mangroves in different locations and densities. This has enabled the development of a high-resolution mangrove data set that can be frequently and cost-effectively updated, so that users can locate, monitor and assess this vital species.

Teams across the organisation have also developed a new method for automating the creation of coastline data sets. By taking satellite imagery and using computer vision techniques, the team have produced a more accurate and detailed data depiction of the UK coastline than that which was freely available. By automating this task, it becomes possible to update shoreline data more quickly, enabling others to better detect change such as coastal erosion.

We are still working to evaluate and improve these processes, but already we've seen their potential in transforming the way we process data. Following the success of these models, we are now testing new automated processes with wider data sets – from high density bathymetric profiles, to the location of kelp.

Now, with the help of machine learning and big data technologies, teams across the UKHO are finding new ways to automate the creation of data sets that help to further our understanding of the marine environment.

This innovation has generated a global data set which identifies

the locations of mangroves – a type of tree that plays a crucial role in coastal ecosystems. Found in tropical and sub-tropical regions, mangroves act as a natural coastal defence and have capacity to absorb huge amounts of greenhouse gases; so, monitoring their location and health is hugely important.



**See more**

Scan code or go to



<https://ukhodigital.blog.gov.uk/2020/02/12/creating-coastlines-using-data-science/>

## Strategic review continued

## Government

Marine geospatial data is a vital component of our critical national infrastructure and supports many activities upon which our daily lives depend – from the marine industries that drive our economy, to the creation of policies that protect our environment.

In this report, we've already explored how our work with government partners is helping to tackle a range of environmental (pages 22-23), economic (page 19) and social (pages 16-17) concerns. But there are even more ways in which marine geospatial data can support informed and effective decisions – from driving commercial innovation to aiding emergency response efforts.

With new technologies emerging and greater environmental pressures, we know our oceans are ever-changing. But, by continuing to work with our government partners, we will support decision-making with the marine geospatial data we hold so that, as a nation, we remain well-placed to meet the challenges of tomorrow.

### Improving national resilience

Each day, brave men and women across the country put their own safety at risk to respond to emergencies along our coastlines. In fact, in 2018 the government's Coastguard Search and Rescue Coordination Network responded to more than 24,000 incidents in UK waters.

Central to the success of these operations is effective communication; this includes having quick and easy access to simple, contextual information to coordinate responses. For location-based information, this data is usually shared and displayed across geospatial portals.

Our new Simplified Marine Context service enables these portals to display crucial maritime data to support emergency responders. By displaying key



data sets on a bespoke base map, the service gives users a clear understanding of the marine environment 'at a glance'.

Providing uncluttered context with depth ranges and bespoke portrayal, this information has been carefully selected to support planning, response and recovery.

Going forward, the Cabinet Office will use the service to enhance ResilienceDirect: a private online system designed to share information with a wide range of emergency responders, Local Resilience Forums and partner agencies, in support of

the Civil Contingencies Act. In doing so, these users will now be able to access maritime data to help them work effectively to carry out the government's emergency response efforts.

The Simplified Marine Context service is also set to be used by other regional and central government bodies, including the Civil Contingencies Committee (COBRA) and Local Resilience Forums. In such critical situations, timely information is key; so, by sharing the data we hold, this will help support planning for localised incidents and more widespread emergencies alike.

# Creating sustainable economic growth by improving access to data

The UK's marine economy is estimated to be worth £47 billion.

## 95%

of our physical goods are brought in by sea  
(Source: Foresight future of the sea)



As an island nation, this comprises everything from the rapidly expanding offshore wind industry in the North Sea, to maritime trade – through which the UK receives 95% of all physical goods.

While this is a staggering figure, we believe it's only scratching the surface of what's possible if businesses in this sector have better access to geospatial data, enabling them to flourish and innovate further.

To help meet this aim, we were directed by the Cabinet Office's Geospatial Commission to coordinate an evidence base for marine geospatial data and make a series of recommendations to consider for their National Geospatial Strategy.

This task was carried out by working with the Department for Business, Energy and Industrial Strategy (BEIS); together, we

hosted a number of workshops with participants from across government, academia and industry. High engagement across these workshops supported discussions on challenges relating to data collection, access, collaboration and standards. Findings will help inform wider policy decisions that will help reshape the UK's data economy.

As one of the six partner bodies, we have also been working closely with the Commission to improve access to government-held data through a range of technical projects – including the development of a comprehensive data catalogue earlier this year.

Through this activity, we hope to improve the sharing of key data so that we can unlock the full potential of the UK's marine economy and remain a world-leading maritime nation for years to come.

## Strategic review continued

## People

At the heart of our organisation is our people and our culture – and the past 12 months have seen significant and exciting changes in the way we work.

The year began with a milestone: the official opening of our new office accommodation by HRH The Princess Royal. Offering an inspiring and modern workspace, the office provides us with a dynamic working environment for our staff to reach their full potential – whether through learning and development opportunities or rewarding outreach work with the local community.

To help shape a culture befitting of this new working environment, we have also introduced a refreshed set of core values to guide the way we work: together, responsibility, excellence and discovery.

By providing a supportive work environment, underpinned by meaningful core values, we're supporting our staff to achieve their best every day. We want our staff to feel inspired, confident and empowered to deliver, so that together we can achieve our vision as an organisation.

### OUR VALUES



**To meet these exciting challenges, we depend on our people and the skills and knowledge they bring with them.**

**Amy Carrillo**

Head of People, UKHO

### Inspiring the next generation into STEM careers

The young minds of today will drive the innovation of tomorrow which is why we are passionate about encouraging young people into science, technology, engineering and maths (STEM) careers. So, to help promote these essential skills, we've continued to grow our STEM outreach programme and community partnerships over the past year.

Leading this activity is our team of 27 accredited STEM Ambassadors. And over the last 12 months, we've been able to

work with more than 17,000 young people aged 5–19, as well as 42,000 members of the public across the South West.

This has included a range of outreach events, such as the Big Bang Fair South West and Yeovil International Air Day, along with Skirting Science workshops and family-friendly lectures. These events have been run in partnership with a range of community groups including Digital Taunton, the Big Bang Fair, the British Science Association, as well as local schools, colleges and universities. Our approach earned us a place at the 2019 Tech South West Awards, where we were named winners of the

'Digital Taunton Tech Cluster Award', in recognition of our commitment to supporting the local digital economy.

In light of COVID-19, we are now exploring ways in which we can carry out STEM outreach activities online and collaborate through virtual events, so that we can continue to inspire the next generation into STEM careers.



## Award-winning apprenticeships

Since 2016, we have embraced apprenticeships. Our apprentices not only get the opportunity to gain practical experience while studying towards a qualification, but they make up a valued part of our workforce.

Our apprenticeship scheme plays a huge role in helping us harness new talent as well as upskilling existing members of the team.

Since launch, we've supported a total of 115 apprentices across the business, won awards across the South West region, and gained wider recognition at the National Apprenticeship Awards.

Currently, we employ 53 apprentices who study on 15 programmes, ranging from Level 3 to Level 7. And now, in the fifth year of running the programme, we are looking to improve and expand our offering.

Working with external bodies such as the University of Exeter, we're exploring how we can offer higher level apprenticeships and

part-time BSc degrees, so that our staff can further their skills and qualifications. This forms part of our strategy to develop digital, data and technology capabilities and roles across the organisation.

And as members of the South West Apprentice Ambassador Network, we're now establishing a Young Apprenticeship Ambassador Network to work with local schools and colleges, with the aim of encouraging more young people to consider apprenticeships, so that we can continue to champion the scheme across the region.



# Sustainability report

At UKHO, we are committed to meeting our objectives in a sustainable way, in line with the Greening Government Commitments. This means minimising our environmental impact, acting in a positive way in our dealings with our staff, customers and suppliers and maximising our contribution to the wider community.

Despite some temporary increases in waste and water consumption, related to the construction and move into our new building, we continue to see a steady reduction in our environmental impact. This includes recycling most of our waste where possible, investing in energy efficient buildings and equipment and minimising unnecessary energy use, water consumption and travel.

## Emissions

	2019/20 tCO <sub>2</sub> e	2018/19 tCO <sub>2</sub> e	2017/18 tCO <sub>2</sub> e
Scopes 1 & 2 (energy)			
Electricity	1,190	1,497	2,488
Gas	506	564	570
Total for scopes 1 & 2	1,696	2,061	3,058
Scope 3 (business travel)	656	961	1,065
Total for scopes 1, 2 & 3	2,352	3,022	4,123
	£k	£k	£k
Expenditure on official travel	880	728	751
Expenditure on energy	391	435	542
Total expenditure on energy and travel	1,271	1,163	1,293

## Commentary

We are reducing our emissions year-on-year. Our print production process (which was moved from Admiralty Way to Bridgwater in May 2018) has continued to reduce in size as we transition from printed paper products to digital products and services. A full year in our new energy efficient office building has also contributed to a significant reduction in our emissions.

## Waste

	2019/20 tonnes	2018/19 tonnes	2017/18 tonnes
Reused/recycled incinerated/energy from waste	41	128	242
Landfill	0	54	4
Reused/recycled	13	1	4
	54	183	250

## Commentary

Overall waste generated has been reduced, largely through the reduction in paper waste from printing charts. This reduction arose as fewer paper charts have been produced and from the introduction of more efficient printing processes.

However, an initiative throughout 2018 to dispose of redundant items, in preparation for the move to the new building, significantly increased our landfill waste.

Regular waste audits were undertaken by the Defence Infrastructure Organisation. Recycling remains a priority for the MOD estate.

## Water

	2019/20 m <sup>3</sup>	2018/19 m <sup>3</sup>	2017/18 m <sup>3</sup>
Water consumption	7,852	18,339	14,070
	£k	£k	£k
Water supply costs	32	73	56

## Commentary

During January 2019, we moved into our new office and vacated our old estate. Prior to this water consumption was high due to the aged estate which inevitably harboured many leaks. We are now seeing the benefit of a small modern estate.

## Energy

	2019/20 M kWh	2018/19 M kWh	2017/18 M kWh
Energy consumption			
Renewable electricity	2.24	2.80	4.70
Gas	2.67	2.97	3.00
Total energy consumption	4.91	5.77	7.70
	£k	£k	£k
Energy supply costs	391	435	542

## Commentary

During January 2019, we moved into our new office and vacated our old estate. Prior to this electricity consumption reflected the aged and varied estate made up of many inefficient buildings. We are now seeing the benefit of a small modern estate.

## Sustainable procurement

Analysis is undertaken for relevant contracts and sustainability targets are agreed with suppliers. We have adopted simple incentive initiatives where appropriate. We aim to ensure that our approved suppliers reflect our sustainability goals in the contracts we agree with them.

## Performance review

### Financial review

Revenue overall increased by £2.4m, with revenue from digital products up by £15m (16%), (2018/19: +£15m (18%)). This was offset by a continued decline in paper product revenues of £7m (18%), (2018/19: -£10m (19%)).

Our continued transition to digital has resulted in 68% (2018/19: 61%) of our gross margin now being earned from digital products.

Despite an increase in sales, the continued transition from high margin paper to lower margin digital products resulted in a decline in overall margin of £5.2m. With costs remaining broadly level with last year, the resulting operating profit fell by £4.9m to £35.8m (2018/19: £40.7).

The increased adoption of our Print on Demand service by our distributors has provided valuable resilience in our paper chart supplies during the Coronavirus pandemic with 73% of paper chart sales being printed locally, (2018/19: 47%).

Despite the decline, we are returning profits well in excess of our Return on Capital Employed target of 9% and so have declared an ordinary dividend of £11.8m (2018/19: £10.7m) to our sole shareholder, the MOD.

We generated £3.2m of cash despite paying a £30m special dividend to MOD on top of the £10.7m dividend declared last year. The increase in cash generated from operating activities is as a result of a £4.4m reduction in trade receivables and an decrease in payables of £1.0m compared to 2018/19.

	Financial statements note	2019/20 £m	2018/19 £m
Revenue	3	164.6	162.2
Cost of sales		(68.8)	(61.2)
<b>Gross profit</b>		<b>95.8</b>	101.0
Staff costs	4	(41.6)	(39.7)
Other costs		(13.6)	(15.9)
Depreciation	4	(4.8)	(4.7)
<b>Operating profit</b>		<b>35.8</b>	40.7
Cash generated from operating activities	20	44.6	22.5

In 2018/19, we adopted a new measure: Human Capital Value Added. This focuses on increasing efficiency, growing revenue streams as well as controlling costs. This is calculated by dividing operating profit plus staff costs by the number of staff. The result indicates the average profit before staff costs generated by each member of staff. We achieved £93.7k per full-time equivalent employee (2018/19 Restated: £94k).

### Delivery against the 2019 corporate plan

Our corporate planning process is built on the basis of maximising our opportunities and mitigating the risks and uncertainties that we have identified. Once agreed the Board set us key performance measures (KPM) that are agreed with our owner. Together these represent achievement of our overall corporate plan. In 2019/20, our performance against these measures was:

	Key performance measure	Achievement
1. Defence	Achieve a score of 95 for a composite index measuring the quality and timeliness of deliveries of the Defence programme.	Exceeded
2. Safety	Achieve over 99% of High Priority Radio Navigation Warnings (RNW) issued within 30 minutes. Number of Notices to Mariners (NMs) timeliness failures, across all output types, to be less than 2%. Output type targets range from 18 days to 25 days (2018/19: 32 days). Fewer than 160 NMs issued to correct an error, (2018/19: 200).	Exceeded
3. Financial return	Achieve an average 9% Return on Capital over the last three years.	Exceeded
4. Human Capital Value Added	Target £65k. Achieved £93.7k (2018/19: Restated £94k).	Exceeded
5. Strategic plan	To achieve at least 70% of 30 strategic plan programme deliverables. These measures of achievement together provide a balanced scorecard reflecting our overall programme delivery. We achieved 28 (93%).	Exceeded

## Performance review continued

### Principal risks and uncertainties

Risk	Impact	Mitigation of risk
COVID-19 – There is a risk that UKHO fails to meet its defence/legal obligations, due to the impact of the COVID -19 virus, resulting in safety issues, reputational damage.	Safety issues and reputational damage	Agree outputs in relation to Defence Operations, Contingency Operations and other Defence activity with significant strategic or reputational consequences; ensure Defence Customer has clearly defined their minimum requirements; RNW agree contingency plans; Identify essential skills to enable business wide backfills to cover essential requirements if required; Identify and capture likely issues with any physical distribution channels.
A safety error in our products or services contributes to a maritime incident which causes significant loss of life, environmental impact or damage to property or services.	Financial and reputational loss	Production and charting processes are designed to minimise risk. Continuous improvement to simplify processes to remove errors.
Without developing our existing market proposition and creating new revenue streams in different navigational markets (while ensuring existing products and services remain profitable and relevant) we will lose our market position and be unable to successfully deliver our public task, at nil cost to the taxpayer.	Financial loss and potential change in status	Reform the channel structure. Develop understanding of the knowledge partner ecosystem and scale of opportunity. Establish a new product pipeline. Launch new MGIA offering.
We will not realise our MGIA and hydrographic office aspirations without developing the right skills, expertise and leadership to enable change in the way we work and to deliver our outputs in a more flexible and responsive way.	Output and capability	Recruit and build the skills needed to deliver our vision. Optimise our structure. Embed the Ways of Working. Develop an effective organisational cultural identity. Improve our Management Information to inform decision-making. People Survey Action Plan.
If we are unable to develop an MGIA proposition which demonstrates sufficient value, due to a failure to diversify our revenue streams and respond to market opportunities quickly enough to win the business required this will result in a reduced return of dividend to the owner.	Financial loss	Establish a pipeline of opportunities for the MGIA business. Build a credible and scalable marine geospatial information service. Establish a network of Knowledge Partners.
If governmental policy and changes to legislation undermine our revenue proposition and business model. There is a risk that this could result in a loss of revenue, impinge upon re-establishing new distribution methodologies, and delivering our Public Task.	Financial loss and inability to remain sustainable and failure to achieve our vision/ objectives	Seek designation as the UK Government's MGIA. Map policy ecosystem. Exploit our status to deliver the MGIA and HO vision. Establish MGIC. Deliver revenue generating service(s) to or on behalf of government.

Risk	Impact	Mitigation of risk
Failure to provide the leadership and organisational culture needed to inspire and engage our staff resulting in reduced productivity, lower levels of commitment and ultimately a failure to achieve our vision.	Output and capability	Embed the Ways of Working. Implement SWOW principles, implement 2019 People Survey Action Plan.
Failure to build, develop and sustain the capabilities and infrastructure required to enable us to deliver our current and future business model, due an inability to prioritise and balance efficiency, results in failure to achieve our vision and deliver to our customers.	Output and capability	Redesign core processes and technology infrastructure for MSDI. Optimise data ownership & management. Complete and populate Data Platform. Deliver Management Information which enables decision-making. Maintain 27001 accreditation.
Our outputs and profits could be significantly reduced, due to the requirement for UKHO to provide resource to the UK Government's main effort to prepare the nation for exiting the European Union (Operation Yellowhammer). As costs lie where they fall we could have a potential loss of 35 FTE, a reduction in output and an increase in costs (projected up to £1.5m).	Financial and Output	Engage management and create mitigation plans, Production planning tool to prioritise, backfill posts at additional cost and additional headcount.

### Supplier payment performance

Where invoices are undisputed, the government aims to observe the Prompt Payment Code and pay 80% of suppliers within five days. We achieved 79.0% (2018/19: 78.0%). Missing the target resulted from key accounts payable staff changing twice during the year and new staff having to be trained.

### Going Concern Basis

Since its emergence in December 2019, Covid-19, has had immeasurable consequences on the global economy and presented organisations with a significant challenge. Like many businesses, the UKHO has evaluated the impact of Covid-19 on our operations, supply chain and employee well-being and tested our preparedness in real time. However, by implementing and maintaining our established business continuity management programme we effectively sustained, as far as possible, our business-critical functions, activities and processes while also protecting important assets: people, information, and reputation. The main function impacted was the temporary pause in the delivery of some of our non-critical defence work. This work has now

resumed, and we are working with the customer to re-prioritise delivery.

A thorough assessment of the risks and potential impact associated with Covid-19 has been carried out and we have implemented long, medium, and short-term responses to mitigate any business disruption. Our offices are all COVID-secure in accordance BEIS guidance. These actions and plans have been, and will be, continuously monitored and updated as the situation develops and will remain compliant with the latest Government directives.

As part of this assessment we have run some scenarios based on various impacts that might have been seen due to the downturn in the world economy. These scenarios ranged from a 10% drop in margins through to a 30% drop. In all cases, with appropriate mitigating actions, the Board are confident that the UKHO can remain a viable business and that we will have the necessary cash to meet our obligations for the foreseeable future.

Further comment on the Impact of the Covid-19 pandemic is made within the statement of Parliamentary accountability on page 52.

## UKHO Directors' report

### Executive Directors



#### Tim Lowe CBE

Chief Executive  
(from 29 May 2019 - 10 July 2020)  
Acting Chief Executive  
(from 1 February 2019)



#### Rear Admiral Peter Sparkes

UK National Hydrographer  
and Deputy Chief Executive  
(from 28 October 2019), Acting  
Chief Executive (from 10 July 2020)



#### Cathrine Armour

Chief Customer Officer



#### Amy Carrillo

Head of People



#### Terry Makewell

Chief Technology Officer



#### Stephen Potts

Director of Finance and  
Corporate Services  
(from 5 October 2020)



#### David Tomaney

Director of Operations



#### David Healey

Interim Director of Finance  
and Corporate Services  
(from 7 May 2019 to 5 October 2020)



#### Damian Bowler

Director of Corporate Services  
(up to 30 June 2019)

### Conflicts of interest

Members of the Board, the Executive Committee and their direct reports must declare conflicts of interest with current or potential customers and suppliers. No conflicts of interest were reported during the year. We maintain a register of interests which can be inspected at our Taunton office.

### Pensions

Our staff pensions are provided through the Civil Service pension provider, MyCSP. Details are covered in the Remuneration and

Staff Report and Accounting Policy Note 1 of the financial statements.

### Auditor

Our financial statements are audited by the Comptroller and Auditor General of the National Audit Office (NAO) in accordance with section 4(6) of the Government Trading Funds Act 1973. The cost of performing the statutory audit was £81k (2018/19: £81k).

The Comptroller and Auditor General provided no other services to the UKHO in 2019/20.

## Non-Executive Directors



**Adam Singer**  
Non-Executive Chair



**Captain Gary Hesling**  
HM Hydrographer of the Navy  
(up to 5 July 2019)



**Alison Henwood**  
Non-Executive Director



**Marion Leslie**  
Non-Executive Director



**Tom Loosemore**  
Non-Executive Director



**Captain Derek Rae**  
HM Hydrographer of the Navy  
(from 6 July 2019)



**Heather Tayler**  
Non-Executive Director  
(MOD Director Finance Strategy)  
(up to 30 November 2019)



**Tara Usher**  
Non-Executive Director  
(Head of Enabling Organisations  
Sponsorship) (from 1 December 2019)

Find out more about our  
Directors at [gov.uk/ukho](https://www.gov.uk/ukho).

### Financial instruments

The accounting treatment of financial instruments, policies and associated risks is reported in Accounting Policies Note 1K and Note 17 of the financial statements.

### Report of protected personal data-related incidents

Government is committed to Parliament and the public to safeguard personal information. As part of this commitment, all Government departments and agencies publish details of unauthorised disclosure of personal data. The UKHO had no reported incidents of such in 2019/20.

### Post-reporting period events

There have been no events after the reporting period requiring adjustments to the financial statements.

**Rear Admiral Peter Sparkes**  
Acting Chief Executive and UK National  
Hydrographer  
2 December 2020

## Statement of Responsibilities of the Chief Executive as Accounting Officer

Under section 4(6) (a) of the Government Trading Funds Act 1973 the UK Hydrographic Office is required to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction issued by HM Treasury on 19 December 2019. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Trading Fund and of its income and expenditure, Statement of Financial Position, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM), and in particular to:

- › Ensure all relevant audit information has been made available to the auditors
- › Observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements to apply suitable accounting policies on a consistent basis
- › Make judgements and estimates on a reasonable basis
- › State whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the financial statements
- › Prepare the accounts on a going concern basis.

As far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware, and he has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

The Accounting Officer confirms that the Annual Report and Accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

HM Treasury has appointed the Chief Executive as Accounting Officer for the UK Hydrographic Office. The responsibilities of an Accounting Officer are set out in Managing Public Money published by HM Treasury. These include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, keeping proper records and safeguarding the UK Hydrographic Office's assets.

## Governance statement

### Scope of responsibility

I took over as Interim CEO and Accounting Officer on 10 July 2020 from Tim Lowe.

As Accounting Officer, I am responsible for signing the annual report and accounts.

I maintain a sound system of internal control that supports the achievement of our policies, aims and objectives, while safeguarding the public funds and departmental assets for which I am personally responsible. This is in accordance with the responsibilities assigned to me in Managing Public Money.

To form an opinion on our system of internal control for the period 1 April 2019 to 31 March 2020, I have relied on and received advice and assurances from various sources including:

To form an opinion on our system of internal control for the period 1 April 2019 to 31 March 2020, I have, I have relied on and received advice and assurances from various sources including:

- › Defence Internal Audit
- › National Audit Office
- › Other external assurance providers
- › UKHO internal assurance
- › The Board and its sub-committees
- › The Directors and senior managers through their annual assurance statements.

Details of this advice are covered further within this report.

### Ownership and financial structure

Established as a Trading Fund in 1996 in accordance with Statutory Instrument SI 1996/773, we are 100% owned by the Secretary of State for Defence by way of public dividend capital.

Our financial statements, drawn up to 31 March each year, are prepared in accordance with the HM Treasury accounts direction of 19 December 2019 as per section 4(6) (a) of the Government Trading Funds Act 1973.

### Status and governance framework

Our governance structure is defined in our Framework Document which, together with our Public Task Statement, can be found at: [www.gov.uk/government/organisations/uk-hydrographic-office/about#our-framework-document](http://www.gov.uk/government/organisations/uk-hydrographic-office/about#our-framework-document).

### Minister responsible for the UKHO

The minister responsible for the UKHO is the Minister of State for Defence ('the Minister').

During the financial year the Minister was the Rt Hon. Baroness Goldie, replacing the Rt Hon. Earl Howe on the 26 July 2019.

The Minister approves our Corporate Plan and financial projections covering a five-year period. There were no Ministerial Directions given to us during the year.

### UKHO Board

The UKHO Board provides the strategic leadership for the UKHO in delivering its objectives. It provides a forum for independent, non-executive, support and constructive challenge to UKHO's Chief Executive and their Executive Directors.

The quality of management information provided to the Board is reviewed regularly. The Board is satisfied that the information provided is fit for purpose.

A comprehensive governance review of UKHO was carried out in Summer 2019 by UK Government Investments (UKGI) on behalf of MOD, and published in October 2019. The governance review involved interviews of 13 of the current and recently serving UKHO board members and included an independent assessment of the UKHO Board and its performance. Key recommendations included greater Board emphasis on driving strategy and performance, reviewing the REMNCO terms of reference, and appointing a senior member of the MOD sponsorship team to the UKHO Board. The recommendations were agreed by MOD and UKHO and the majority implemented, with others being actively developed.

## Governance statement continued

The attendance of Board members at the Board and its sub-committees (during their tenure in office) was:

	Board	ARAC	REMNCO
Tim Lowe	6/6		
Adam Singer	5/6		
Peter Sparkes	0/1		
Marion Leslie	6/6	4/4	4/4
Alison Henwood	6/6	4/4	4/4
Tom Loosemore	5/6		
Tara Usher	2/2	2/2	2/2
Derek Rae	2/2	3/3	3/3
Heather Tayler	4/4	2/2	2/2
Gary Hesling	4/4	1/1	1/1
Cathrine Armour	4/4		
Amy Carrillo	3/4		
David Healey	2/2		
Terry Makewell	4/4		
David Tomaney	4/4		
Damian Bowler	1/1		
<b>Average attendance</b>	<b>94%</b>	<b>100%</b>	<b>100%</b>

### Audit and Risk Assurance Committee (ARAC)

The ARAC is a sub-committee of the Board. The role of the ARAC is to support the UKHO Board and Chief Executive, as the Accounting Officer, in monitoring the organisation's corporate governance, control systems and risk management. Typically meeting four times a year (2019/20: 4; 2018/19: 3), its membership consists of four Non-Executive Directors, one of whom chairs the committee. Invited members of the Executive Committee, the National Audit Office (NAO) and our appointed internal auditors, Defence Internal Audit (DIA), attend its quarterly meetings as required. The Chair of the ARAC reports to the Board.

Annually, the Chair of the ARAC reports to the Accounting Officer summarising the activities of the ARAC during the previous year.

This year the Chair highlighted DIA's overall opinion of "Limited Assurance", based on the results and weightings of the assessments undertaken in FY 19/20 and the delivery of associated management actions. This was a step down from the "Substantial Assurance" rating given in the previous three years.

In the opinion of the ARAC, this outcome reflects continued stress on the control framework arising from rapid organisational change, senior management change and challenges in the staffing of the finance function and that management focus and resolve is required to address these weaknesses.

I confirm that I recognise the critical requirement for robust controls, effectively communicated and understood throughout the organisation, and will ensure that all remedial actions are promptly and securely addressed.

Detail relating to the concerns raised by DIA and progress already made in addressing the majority of these concerns are covered under "The role of internal audit" later in this report.

In concluding her report, the Chair confirmed that in ARAC's opinion, there is no reason why I, as the Accounting Officer, should not provide the assurance required as set out in this Governance Statement.

### Remuneration and Nomination Committee (REMNCO)

The REMNCO is a sub-committee of the Board. The role of the REMNCO is to advise the UKHO Chair on appointments to the UKHO Board (except for the Chair, whose appointment is the responsibility of the Owner); advise the Owner, Chief Executive and the Board on matters relating to the UKHO pay and reward strategy and on the remuneration for senior UKHO executives, operating within the framework set by Government-wide and Departmental guidelines and where applicable, those for the Senior Civil Service. The committee comprises four Non-Executive Directors who meet as required. The Chair of the committee reports on its proceedings to the UKHO Board.

### Safety of Navigation Advisory Committee (SONAC)

The SONAC is an advisory committee that advises the Board on product and other safety matters. It is chaired by the Hydrographer to the Navy. It includes a range of independent experts from the Royal Navy, the Maritime and Coastguard Agency, the Royal National Lifeboat Institution, Trinity House, Associated British Ports, the Marine Accident Investigation Branch, the UK Chamber of Shipping and the Royal Yachting Association.

The Chair of SONAC reports to the ARAC and the Board.

### Executive Committee (ExCo)

The purpose of the Executive Committee is to support the Chief Executive in managing the UKHO. It currently comprises Executive Directors who are the persons in senior positions that have authority or responsibility for directing or controlling the major activities of the UKHO.

## Governance statement continued

### Compliance with the corporate governance code

› The Board has assessed itself against HM Treasury's corporate governance code and with one exception is deemed to comply. The Board framework has not been updated within the last two years as required by the code. The current Board framework, instituted in 2015, is currently under review and is expected to be revised in 2020/21. The Board considers the existing framework is still suitable. Last year it was reported that, contrary to the requirements of the code, the Director responsible for finance was not professionally qualified. From May 2019, a professionally qualified interim Finance Director was in post. Prior to this the Board considered that this was successfully mitigated by the support of professionally qualified staff within the UKHO and by two non-executive directors (including the MOD NED) being professionally qualified. A professionally qualified director of finance has now been recruited and took up post on 5 October 2020.

The Board considers that it complies with all other aspects of the corporate governance code as far as is deemed relevant and practical.

### Admiralty Holdings Limited (AHL)

AHL is a private limited company. It was established in 2002/03 to exploit commercial opportunities if needed. The Secretary of State for Defence, who owns 100% of AHL, has delegated its management to the UKHO. AHL is currently dormant.

### UKHO internal control

As documented above, our governance supports a system of internal control designed to cost-effectively manage risk to an acceptable level, in line with our status and our corporate risk appetite. This system of internal control was in operation throughout the year ended 31 March 2020 and up to the date of approval of this Annual Report and Accounts.

Each year we seek to improve this system of internal control by refining our system of controls using continuous improvement.

In addition, this year we have prepared a Business Assurance register. This contains all the legislation and government policies or directives that we are required to comply with. We have identified 165 requirements, each to an executive level owner, noting our level of compliance. Currently 78% of these are fully satisfied and we have plans in place to address the improvement actions for the remaining requirements, most of which are minor issues.

Our next step is to embed those that are not fully complied into or risk management processes to ensure that actions are captured, and responsibilities clearly allocated.

### Corporate governance and risk management

Executive Committee members and senior managers provide written assurance to the Accounting Officer on the integrity and accuracy of:

- › Performance reports
- › Maintenance of effective controls in relation to the delivery of business objectives
- › Security (physical and data)
- › Financial propriety and fraud prevention
- › General conduct of business
- › Management of internal audit recommendations
- › Identification of contingent liabilities
- › Compliance with staff reporting requirements, including the provision of appropriate business skill capabilities.

Staff must complete training on information assurance, business resilience, personal data handling, countering fraud, bribery and corruption, equality, diversity & inclusion, conscious and subconscious bias, health & safety and security.

We have governance structures, processes and activities in place to manage our risks. Our risk management policy is aligned to the MOD risk management framework. Corporate risks are owned by divisional heads and are subject to review and challenge by the Executive Committee, the Board and the ARAC. Corporate risks can be found on page 41.

All employees have access to the business risk management policy and to guidance on identifying and mitigating risk. This sets out clear accountabilities and a structured process for identifying, accessing, communicating and managing risk.

### Financial control

We have a mature system of financial control, evidenced in 2017/18 by Defence Internal Audit (DIA) giving a full assurance opinion in its audit. As a result, higher risk areas were selected for internal audit in 2018/19 and 2019/20 and no audit of the financial controls was carried out in these years. Financial controls will be subject to internal audit in 2020/21.

Financial authority is delegated from the Chief Executive to senior managers.

A detailed business plan is prepared annually which form the annual budget which in turn

## Governance statement continued

is derived directly from our Corporate Plan. This ensures our activities are directly aligned with our short-term financial plans and our long-term financial objectives. Spend against annual budget is monitored monthly, with budget holders, by our Executive Committee and by the Board at every meeting.

The Executive Committee also reviews a range of Key Performance Measures, both financial and non-financial, each month. These measures give the Board confidence that all aspects of the business are being scrutinised and provide a framework for early intervention when required. This ensures that management scrutinises the assumptions underlying all major programmes and projects to ensure that they remain valid. All major programmes are subject to normal management disciplines.

We operate our commercial function in accordance with relevant Government procurement and regulatory requirements.

Management regularly reviews its commercial strategy to ensure that procurement accountabilities are clearly defined.

### Exchange rate risk

As digital charts are sold in US dollars (USD), an increasing proportion of our sales are made in USD. As the related data costs are also in USD, we have a natural hedge. We review USD holdings, the balance of USD asset and USD liabilities every two weeks, and any excess USD cash held is sold at the spot rate on the day of transaction. We do not use derivatives such as currency options or forward currency exchange contracts to manage our exchange rate risk.

### Improving quality

UKHO continue to be certified to ISO9001:2015 (Quality Management) and ISO27001:2013 (IT Security Management) standards and had successful surveillance audits in 2019/20.

UKHO are also considering the future certification to ISO14001/45001 standards (Health and Safety and Environmental) and a gap analysis is planned in 2020 to help inform an action plan to achieve certification in future.

### The role of internal audit

The ARAC approves the internal audit programme each year. The internal audit for 2019/20 was contracted out to DIA.

In line with Public Sector Internal Audit Standards, DIA carried out a programme of risk-based

audits. It submitted regular reports, including its opinion on the adequacy and effectiveness of our internal control. It made findings, which are agreed with management, which then form the basis of improvement actions. Where appropriate, the Executive Committee monitors outstanding improvement actions to ensure they are implemented.

DIA's opinion on the work completed during 2019/20 provides a limited assurance audit opinion based on the results and weighting of the assignments undertaken in year and the delivery of associated management actions. This is a step down from the 'Substantial Assurance' rating given in the previous three years.

The DIA programme covered a number of key processes and strategic risks. Those areas that received a 'Limited Assurance' assessment opinion were: Project Delivery Governance; GDPR, Security Management Governance and Contractor Clearance and Access.

The outcomes of the DIA reviews, together with learning incidents through the year, indicate some areas where the control framework will benefit from strengthening and reinforcement.

Project Delivery Governance has received significant focus following the Limited Assurance audit.

The majority of DIA improvement actions have now been completed. I am confident that the remaining actions will be complete by the 2020/21 year end.

The review of GDPR identified good progress against most of the fundamental requirements, but some shortfalls. These are being addressed.

The review of Security Management found that the existing arrangements were not sufficient to manage the risk and in the intervening period, one of the key findings – the lack of a dedicated Security Management Board to ensure effective direction, control and oversight – has been implemented.

DIA also recognised that a significant proportion of the audit programme was conducted in areas that have been subject to recent change and development, and that associated control frameworks are maturing.

I am satisfied that management are focused on making the required improvements and that timely and consistent delivery of agreed management actions should help to ensure improvements are embedded.

UKHO management understand the true value of external objective scrutiny. We do not shy away from encouraging DIA to look at areas of the business

## Governance statement continued

where we know, or suspect, improvements can be made. We believe this is an important element of embedding our Core Values which include building a culture of taking responsibility while striving to achieve excellence.

### Fraud and whistleblowing

We always seek to conduct our business honestly and with integrity. However, it is acknowledged that all organisations face the risk of their activities going wrong from time to time, or of unknowingly harbouring malpractice. We have a zero-tolerance approach to fraud. Our staff have easy access to advice on the UKHO's Intranet on what to do if they suspect fraudulent activity which includes the protection they receive if they report their suspicions. Staff are also provided with an annual update on fraud issues and a reminder of UKHO's expectations. During the year, the UKHO also took part in the civil service whistleblowing awareness campaign.

Any staff member having a genuine concern about an issue of impropriety or malpractice, is encouraged to raise it. Several avenues are open to them. In a majority of instances, the most appropriate place for a worker to raise concerns will be with their line manager or a more senior manager; in other cases a concern may be reported to the UKHO Fraud Focal Point, the Chair of the Audit Committee or the Chair of the Board or directly to the Fraud Defence team at the MOD.

We had one instance of fraud during the year, this related to a contractor claiming for days that had not been worked. The contract with the contractor was terminated and the excess days paid were recovered.

### Cyber security

The UKHO continues to maintain a good cyber security defensive posture. Security is well embedded into the majority of our processes and practices, and this has been borne out by our continued ISO27001 certification. We must not, however, be complacent. Our security monitoring tools show us that our boundary network devices are under constant attack and therefore our defences must continue to evolve in order to stay ahead of our attackers. The past 12 months has also seen a large increase in the number of targeted phishing emails directed at UKHO staff.

As we progress on our journey to becoming the world leading Marine Geospatial Information Agency (MGIA) we are making more of our services available to more customers in new and innovative

ways. It is vitally important that, throughout this digital transformation, we continue to put cyber security at the very forefront of everything that we do.

### Business continuity

UKHO's business continuity arrangements have been implemented in accordance with existing Departmental requirements. In June, UKHO undertook an in-depth business impact analysis study to update existing information relating to critical activities and the resources that support them. Part of this study involved identifying all roles that have the ability to work from home and this information has proved useful in helping UKHO to deliver an effective response during the coronavirus pandemic, with over 75% of employees able to connect-in remotely. Furthermore, UKHO's pandemic response arrangements, which were reviewed and updated following initial reports from China of a coronavirus outbreak, have been particularly effective in mitigating the impact on staff and business critical activities.

### Information Assurance (IA)

The UKHO continues to operate at level 3 of the IA Assessment Framework as required by the Cabinet Office. Employees and contractors undertake the Civil Service 'Responsible for Information' training regularly and third parties bidding for new contracts are subject to a cyber risk assessment under the Defence Cyber Protection Partnership.

### Conclusion

I have carefully considered the governance and control issues noted above, and the plans to address them. After taking this, the report from the ARAC chair, and all the other evidence provided with regards to the production of the annual Governance Statement into consideration, I conclude that the organisation's overall governance, risk management and internal control structures are effective.



### Rear Admiral Peter Sparkes

Acting Chief Executive and UK National Hydrographer  
2 December 2020

## Remuneration and staff report

### Directors' Remuneration policy

Executive Director is interpreted to mean persons in senior positions having authority or responsibility for directing or controlling the major activities of the organisation. Executive Directors are also all members of the UKHO's Executive Committee, which supports the Chief Executive in managing the UKHO.

Executive Directors are usually employed as Senior Civil Servants (SCS) subject to SCS terms and conditions. Their bonus arrangements fall under SCS rules rather than the UKHO's performance-award system. In addition the National Hydrographer is typically a Naval Officer and their remuneration is set and paid by the Royal Navy. Executive Directors may also be employed on the UKHO's terms, with their pay and conditions of employment set in accordance with UKHO's pay policy or as an off-payroll contractor, inside IR35, with their pay set in line with either SCS or the UKHO's terms. Off-payroll contractors do not receive benefits in kind, performance awards or pensions.

The Non-Executive Directors are not UKHO employees but, apart from two who are Government employees, are paid a fee for their services.

### Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

The Executive Directors covered by this report with the exception of those employed as off-payroll contractor, hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Executive Directors employed as off-payroll contractors hold appointments that are open ended that can be terminated, without compensation, on five days' notice.

Further information about the work of the Civil Service Commission can be found at: <https://civilservicecommission.independent.gov.uk/>

The Chief Executive has delegated authority for recruitment up to, but not including, SCS. The duration of contracts and notice periods are in accordance with the Civil Service Management Code and business needs. The appointments of Non-Executive Directors are in accordance with MOD guidelines and The Office of the Commissioner for Public Appointments Code of Practice.

### Executive Directors Remuneration

#### Salary entitlements

The table on page 44 provides details of the remuneration and pension interests of the executive members of the UKHO Board and other Executive Directors.

#### Salary

'Salary' includes gross salary; recruitment and retention allowances; and any other allowance to the extent that it is subject to UK taxation.

#### Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the UKHO and treated by HM Revenue and Customs as taxable. No benefits in kind were provided during the year (2018/19: £nil).

#### Performance awards

Performance awards are based on performance assessed in the appraisal process. Performance awards relate to the year in which they become payable to the individual. The performance awards reported in 2019/20 relate to performance in 2019/20 and the comparative performance awards reported for 2018/19 relate to 2018/19.

#### Termination payment

The termination payment is compensation for the loss of office.

#### Pensions

Executive Directors who are employed under SCS or UKHO terms are members of the Civil Service Pension Schemes. Full details of the pension schemes are provided later in this note.

The pension figures quoted for Executive Directors show pension earned in the Principal Civil Service Pension Scheme (PCSPS) or Civil Servants and Others Pension Scheme (alpha) – as appropriate. Where the Executive Director has benefits in

both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes. The accrued pension quoted is the pension the Executive Director is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for Executive Directors show pension earned in PCSPS or alpha – as appropriate. Where the Executive Director has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

A Cash Equivalent Transfer Value (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 figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

#### **Real increase in CETV**

This reflects the increase in CETV that is funded by the employer. It does not include 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.

## Remuneration and staff report continued

### Remuneration details

Subject to audit

2019/20	Contract Terms	Notes	Salary Band £k	Performance Awards £k	Termination Payment £k	Total £k	Pension Benefit (Note 4) £k
Rear Admiral Tim Lowe – Naval pay while on secondment UKHO Salary (17 September 2019)	Royal Navy SCS	2	60 – 65 70 – 75 (125 – 130)	–	–	– 130 – 135 (125 – 130)	–
Rear Admiral Peter Sparkes – National Hydrographer (from 28 October 2019)	Royal Navy	1	45 – 50 (115 – 120)	–	–	45 – 50 (115 – 120)	–
David Tomaney – Director of Operations	SCS		75 – 80	–	–	75 – 80	31
Terry Makewell – Chief Technology Officer	SCS		105 – 110	–	–	105 – 110	42
Cathrine Armour – Chief Customer Officer	SCS		100 – 105	–	–	100 – 105	40
Amy Carrillo – Head of People	UKHO		65 – 70	0 – 5	–	65 – 70	25
David Healey – Interim Director of Finance and Corporate Services (from 7 May 2019)	Off Payroll	3	135 – 140	–	–	135 – 140	–
Damian Bowler – Director of Corporate Services (up to 30 June 2019)	SCS		20 – 25 (80 – 85)	0 – 5	75 – 80	100 – 105	5
2018/19	Contract Terms	Notes	Salary Band £k	Performance Awards £k	Termination Payment £k	Total £k	Pension Benefit £k
Rear Admiral Tim Lowe – Acting Chief Executive and National Hydrographer*	Royal Navy	2	125 – 130	–	–	125 – 130	–
David Tomaney – Director of Operations	SCS		75 – 80	–	–	75 – 80	31
Damian Bowler – Director of Corporate Services	SCS		80 – 85	0 – 5	–	85 – 90	32
Terry Makewell – Chief Technology Officer (from 30 April 2018)	SCS		95 – 100 (105 – 110)	–	–	95 – 100	38
Cathrine Armour – Director of Customer Division (from 30 July 2018)	SCS		65 – 70 (95 – 100)	–	–	65 – 70	26
Amy Carrillo – Head of People (from 1 August 2018)	UKHO		40 – 45 (65 – 70)	–	–	40 – 45 (65 – 70)	25

\* UKHO Board member.

## Remuneration and staff report continued

### Notes

1. Rear Admiral Peter Sparkes is a serving Royal Navy Officer on loan to the UKHO. While the Royal Navy charges for his services are based on loan capitation rates, the figures above reflect his actual salary. He is remunerated in line with his parent service. Pension and CETV figures are not disclosed.
2. Tim Lowe was also a serving Royal Navy Officer on loan to the UKHO up until his retirement from the navy in September 2019. He was appointed acting Chief Executive and interim Accounting Officer from 1 February 2019 and, following successful open competition, he was appointed Chief Executive and Accounting Officer from 17 September 2019.
3. David Healey was appointed as Interim Director of Finance and Corporate Services on 7 May 2019. David is a contractor and not a Civil Servant.
4. The value of Pension Benefit disclosed is calculated as the real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual during the year. The real increases exclude increases due to inflation or any increases or decreases due to a transfer of pension rights. This is an estimate of the assumed value of the increase in pension that will be payable on retirement to the individual and has not been paid in the year.

### Pension benefits

(This section has been subject to audit).

	Accrued benefits *		Real increase in benefits		CETV	CETV	CETV
	Pension (Note a) £k	Lump sum (Note a) £k	Pension (Note a) £k	Lump sum £k	31/03/2020 £k	31/03/2019 £k	Real increase £k
David Tomaney	15 – 20	Note b	0 – 2.5	Note b	264	228	19
Damian Bowler	20 – 25	Note b	0 – 2.5	Note b	248	241	15
Terry Makewell	15 – 20	Note b	0 – 2.5	Note b	169	136	16
Cathrine Armour	0 – 5	Note b	0 – 2.5	Note b	50	19	14
Amy Carrillo	5 – 10	Note b	0 – 2.5	Note b	88	69	11

\* As at 31 March 2020.

### Notes

a. Pension are as at pension age.

b. No automatic lump sum payable as member is in the premium/nuvos scheme.

David Healey, as an off payroll contractor, is not eligible to join the alpha pension scheme. No other pension contributions were paid in respect of David.

## Remuneration and staff report continued

### Fees paid to Non-Executive Directors (NEDs)

Subject to audit

NEDs are appointed for an initial term of three years, which can be extended by mutual agreement normally for a further three years. NED contracts are not pensionable and there is no compensation for early termination. The Chair, Adam Singer, had his contract extended for a further year, to May 2021, owing to disruption to recruitment processes caused by Covid-19 restrictions.

Contracts may be terminated at one month's notice by either party or on dissolution of the Board, except in the case of gross misconduct when termination is immediate.

NEDs and their fees as at 31 March 2020 were:

	Appointed	Current Term End Date	Notes	2019/20 £k	2018/19 £k
Adam Singer	3 May 2014	2 May 2021		25 – 30	25 – 30
Marion Leslie	1 January 2015	31 December 2020		15 – 20	15 – 20
Alison Henwood	26 January 2017	24 January 2023		15 – 20	15 – 20
Tom Loosemore	1 September 2017	31 August 2020		15 – 20	15 – 20
Tara Usher	1 December 2019	1 December 2022	1	–	–
Heather Tayler		Ended - 30 November 2019	1	–	–
Captain Derek Rae	6 July 2019		2	–	–
Captain Gary Hesling		Ended - 5 July 2019	2	–	–

\* Full year equivalent.

The following NEDs do not receive separate remuneration for their role:

1. Tara Usher and Heather Tayler are MOD SCS representing our owner.
2. Captain Derek Rae and Captain Gary Hesling are serving Royal Navy Officers.

### Fair Pay Report

(This section has been subject to audit)

	2019/20 £k	2018/19 £k
Band of highest paid Director's remuneration (£'000)	135 – 140	125 – 130
Median of all UKHO employees	32.4	32.4
Ratio	4.3	3.9

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

\* During the year the Director of Finance and Corporate Services was a contractor on an interim contract. His pay exceeded that of the highest paid permanent director. However, this is not a comparable figure as his pay includes a premium to reflect not receiving the same benefits and rights as an employee. The comparable figures using the remuneration of the highest paid permanent director are:

Band of highest paid permanent director is £125k-£130k.

Ratio to the median of all UKHO employees is 4.0.

In 2019/20, no (2018/19, no) employees received remuneration in excess of the highest-paid director.

Remuneration ranged from £18,800 to £125,000-£130,000

(2018/19, £17,477 to £125,000-£130,000).

The median salary has remained the same.

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

## Remuneration and staff report continued

### Our staff

#### Staff numbers (Averages over the year)

Subject to audit	2019/20	2018/19
Civil servants	799	824
Agency staff	23	27
Service personnel	4	5
<b>Total staff numbers</b>	<b>826</b>	856

#### Staff costs

Subject to audit	2019/20 £k	2018/19 £k
Salaries, wages etc.	29,659	29,617
Social security costs	2,957	2,966
Pension costs	7,443	5,711
Apprentice levy	128	130
Agency staff costs	1,707	1,575
Service personnel costs	623	769
Staff costs capitalised within intangible assets	(908)	(1,023)
<b>Total staff costs</b>	<b>41,609</b>	39,745

The costs of full-time Government officials are borne by their parent departments.

Service personnel are included in employee numbers above. However, they are on loan to us and we are charged a capitation rate. We carry no pension liability for service personnel.

#### Agency staff

Agency staff are individual temporary workers engaged to cover business-as-usual or service-delivery activities, mainly under short-term arrangements.

#### Consultancy

It does not make economic sense for the UKHO to maintain all the specialist skills needed permanently in house, and access to some level of private-sector expertise is consequently of enduring value. We therefore contract short term, both for independent advice and for specialist skills, where these skills are not available among our permanent workforce.

During the year, the UKHO spent £107k on consultancy (2018/19: £476k). Of these amounts £13k (2018/19: £377K) related to consultants supporting the building of the UKHO's new offices.

### Staff composition (Number of staff at 31 March)

2019/20	Male	Female
Number of persons of each sex who were Executive Directors at year end	5	2
Number of persons of each sex who were senior managers at year end*	41	18
Total number of persons who were employed at the year end	578	271

2018/19	Male	Female
Number of persons of each sex who were Executive Directors at year end	4	2
Number of persons of each sex who were senior managers at year end*	40	17
Total number of persons who were employed at the year end	575	250

\* Senior managers have been defined as anyone of a UKHO band C or above.

### Diversity

We are committed to improving all forms of diversity. The Chief Executive and his Executive Committee (ExCo) all have personal objectives supporting improved diversity and we see this as an integral part of our future success as an innovative and forward looking organisation.

Some of the actions that we have implemented include:

- › D&I levels of ambition, which are reviewed regularly
- › A successful campaign for increased diversity reporting
- › All staff complete managing unconscious bias training and equality and diversity training
- › Active Diversity and Inclusion forum and affiliated network groups: Women's Network, Mental Health Awareness Group, Christian Fellowship, STEM, LGBTQ+ and Disability Group
- › Improving diversity in recruitment through the guaranteed interview scheme, being a Disability Confident employer, the use of a Gender Decoder algorithm for all adverts and gender diverse panels
- › Equality Analyses across all areas of our business; new systems, policy/guidance, ExCo papers, change charters and Agile governance framework
- › Mental Health Action Plan, which we are actively measuring against
- › A network of peer supporters who are trained in Mental Health First Aid.

## Remuneration and staff report continued

### Sickness absence

The average number of days lost through sickness in 2019/20 was 6.75 (2018/19: 5.92). UKHO average days lost per employee, 6.75, is less than the public sector (8.5 days). Psychological disorders remain the main reason for absence (25% of all absence, this is in line with the average across the public sector). This has increased over the last three years from 20%. Our strategy to tackle this is covered in Mental Health Welfare below.

### Disability

We are committed to recruiting the best people, regardless of whether they have a disability. We strive to provide an inclusive working environment for everyone; enabling colleagues to work in a way that accommodates their individual needs, so that they can work effectively and positively, and feel valued for their contribution and strengths.

We continue to conduct anonymous short-lists for recruitment, to help ensure a 'level playing field' in the assessment process. We are a 'Disability Confident' employer and participate in the Guaranteed Interview Scheme, whereby individuals who declare a disability are guaranteed an interview, if they meet minimum requirements.

Line managers across the business have access to consistent advice and expertise to enable them to support their team members; which includes ensuring necessary workplace adjustments are made in a timely manner and supporting their team members to complete a Workplace Adjustment Passport, if required. Advice may come direct from our HR team or through our contract with Occupational Health Services, who provide tailored advice for individuals who may have a short or long-term health condition.

Our colleagues have access to our Employee Assistance Programme (EAP) and we provide access to a range of learning and support. Our approach to training, career development and promotion is inclusive, and opportunities are offered on a fair and open basis. We actively promote talent programmes such as the Positive Action Pathway which is open to under-represented groups, including those with a disability.

### Staff engagement

Throughout the year we hold corporate and team staff events to reflect on our performance and look ahead to the next period of our corporate plan. The Chief Executive and ExCo are active contributors, delivering spotlight talks on key themes and holding live Q&A sessions with staff. Teams are also given the opportunity to contribute to these events via talks and exhibitions, to showcase their work and how it contributes to achieving corporate objectives. We act on staff feedback to make these events accessible and engaging for as many people as possible. We also use a mix of digital and face-to-face channels to regularly share news on business performance and projects, again providing opportunities for staff to interact with comments, suggestions and questions.

Staff are encouraged to complete the Civil Service People Survey each year and results are reported to the Board. This survey gives us an annual measure of employee engagement. Senior managers work with staff to understand the outcomes from the survey and to make improvements. We are also underway with a new programme of in-house communication and engagement evaluation which will give us temperature checks through the year and help us refine how we deliver and engage on important messages, issues and opportunities.

Active staff network groups help us stay connected horizontally and vertically through the organisation and support our diversity and inclusion ambitions. Staff groups are encouraged to support work on key strategic themes and during 2019 staff were involved in defining our refreshed core values of Together, Responsibility, Excellence and Discovery.

Trade unions are actively encouraged to contribute to studies and other reviews and are represented at the Board. Formal consultations on a wide range of issues are conducted through the Whitley Committee.

People are key to our success and the UKHO regularly monitors performance regularly through the year via I:ls. A number of professional frameworks help monitor and track development, and our award-winning apprenticeship programme is nurturing our own talent.

## Remuneration and staff report continued

### Health, safety and welfare

Health, safety and welfare is a key priority for the UKHO and we maintain a number of policies to support this.

We track health and safety incidents including any reported near misses. Our health and safety record shows the following health and safety incidents.

	2019/20	2018/19
RIDDOR reportable (Incidents reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations)	–	–
Incidents (Health and safety incidents, from minor injuries not requiring first aid, up to incidents just below the RIDDOR threshold)	10	13
Near misses (Health and safety incidents not resulting in any injury)	3	2

Of the incidents reported in 2019/20: 0 required hospital treatment (2018/19: 1).

### Mental health welfare

The physical and mental health and wider wellbeing of UKHO people contributes directly to our operational capability; improving both is therefore a high priority for business reasons, as well as simply being ‘the right thing to do’. We continue to work on the actions identified in our Mental Health and Wellbeing Action Plan (launched May 2019).

Our aims are to:

- › **Break down barriers** – encourage an open culture, where there is no stigma to speak about mental health.
- › **Develop a supporting environment** – provide timely access to safe, effective and trained mental healthcare support, as well as networks, policies, procedures, guidance and training.
- › **Measure and share** – produce and share statistics, survey results and other measures to increase our understanding of mental health and wellbeing at the UKHO, as well as the national picture.

Our focus at the time of writing is ensuring colleagues, across the business, have the right support, guidance, training and equipment in place, so that they can continue to work as safely as possible (mostly from home) during these unprecedented and uncertain times of the Coronavirus outbreak.

Some of the future interventions we have planned include:

- › Launching a wellbeing survey, for further insight into how we’re doing and where improvements could be made
- › Promoting the use of our EAP and counselling services
- › Collaborating with our Mental Health Awareness Group to promote mental health awareness and awareness of our mental health first aider trained ‘Peer Supporters’
- › Further mental health training for managers across the business.

### Pensions

Employer pension contribution rates are as follows:

Scheme and annual salary bands to which rates apply	2020/21 %	2019/20 %
PCSPS – Band 1–£23,000 and under	26.6	26.6
PCSPS – Band 2–£23,001 to £45,500	27.1	27.1
PCSPS – Band 3–£45,501 to £77,000	27.9	27.9
PCSPS – Band 4–£77,001 and over	30.3	30.3

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded, multi-employer defined benefit scheme and we are unable to identify our share of the underlying assets and liabilities. The Government Actuary’s Department valued the scheme as at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)).

For 2019/20, employers’ contributions of £7,414k were payable to the PCSPS (2018/19: £5,680k). The scheme’s actuary usually reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2019/20 to be paid when the member retires and not the benefits paid during this period to existing pensioners. Employees can opt for a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £28.7k (2018/19: £31.3k) were paid to stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% of pensionable pay.

Contributions due to the partnership pension providers at 31 March 2020 were £4.9k (2018/19: £3.5k). There were no prepaid contributions at that date.

## Remuneration and staff report continued

### Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015, a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum.

Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from the appointed provider – Legal & General. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

## Remuneration and staff report continued

### Off-payroll engagements

Off-payroll engagements as at 31 March for more than £245 per day and that last for more than six months are as follows:

No. of existing engagements as at 31 March	2019/20	2018/19
	<b>15</b>	<b>12</b>

Of which ...

No. that have existed for less than one year	9	9
--	---	---

No. that have existed for between one and two years	5	3
---	---	---

No. that have existed for between two and three years	1	–
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No. that have existed for between three and four years	–	–
--	---	---

No. that have existed for four or more years	–	–
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No. of new engagements, or those that reached six months in duration, during the year.	2019/20	2018/19
	<b>14</b>	<b>12</b>

Of which ...

No. assessed as caught by IR35	13	12
--------------------------------	----	----

No. assessed as not caught by IR35	–	–
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No. engaged directly and/or on UKHO's payroll	1	–
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No. of engagements reassessed for consistency/assurance purposes during the year	–	–
--	---	---

No. of engagements that saw a change to IR35 status following the consistency review	–	–
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Board members and/or senior officials with significant financial responsibility, during the year	2019/20	2018/19

No. of off-payroll engagements or Board members, and/or, senior officials with significant financial responsibility, during the financial year	1	–
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No. of individuals that have been deemed 'Board members, and/or, senior officials with significant financial responsibility', during the financial year	17	14
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### Civil Service exit packages

(This section has been subject to audit)

Exit package cost band	Total number of exit packages by cost band	
	2019/20	2018/19
< £10,000	–	5
£10,000 – £25,000	–	4
£25,000 – £50,000	–	10
£50,000 – £100,000	1	1
<b>Total number of exit packages</b>	<b>1</b>	<b>20</b>
<b>Total cost (£k)</b>	<b>80</b>	<b>534</b>

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme.

Exit costs are accounted for in the year of departure and include lump sums and any annual compensation payments which are paid each year until they retire. Where we have agreed early retirements, the additional costs are met by us and not by the PCSPS.

Ill-health retirement costs are met by the pension scheme and not included in the table.

All other costs in the table above for both years relate to staff leaving under the Voluntary Early Release Scheme terms.

There were no compulsory redundancies in either 2019/20 or 2018/19. No ex-gratia costs were paid.



### Rear Admiral Peter Sparkes

Acting Chief Executive and UK National Hydrographer  
2 December 2020

## Parliamentary accountability

The Chief Executive is personally responsible for the performance and management of the Trading Fund. Our Annual Report and Accounts are subject to audit by the Comptroller and Auditor General, who heads the National Audit Office and is responsible for scrutinising public spending and safeguarding the interests of taxpayers on behalf of Parliament. The audit certificate is presented on page 54.

More information on our Parliamentary Accountability is published in our Framework Document, this can be found at: [www.gov.uk/government/organisations/uk-hydrographic-office/about#our-framework-document](http://www.gov.uk/government/organisations/uk-hydrographic-office/about#our-framework-document).

### Statement of Parliamentary Supply

(This section has been subject to audit).

As a trading fund agency, we do not have a Statement of Parliamentary Supply.

### Public spending and administration budgets

As a trading fund agency, we receive neither a departmental net expenditure limit nor an administrative control total. All our operating expenditures are funded by receipts from trading operations. Our Chief Executive receives his letter of authority directly from the Parliamentary Under Secretary of State for Defence.

### Pricing and charges

(This section has been subject to audit).

Our products are priced with reference to their cost, and to our assessment of their market value in relation to other similar products and the value our end-users derive from these products. Our revenue, analysed by our operating segments, can be found in Note 3 page 71.

### Regularity of expenditure

(This section has been subject to audit).

	2019/20 £k	2018/19 £k
Unrecoverable trade receivables	–	71
Special payments	–	56
Realised foreign exchange (gains)/losses	<b>(2,339)</b>	247

### Long-term expenditure trends

UKHO's traditional navigational market has undergone a transformation over the past 10 years from largely paper based navigational products to digital navigation. Our gross profit from digital products is significantly lower than their paper equivalents. As a result, gross profits have fallen by over £20m and are forecast to continue to fall by another £13m over the next 5 years. To date we were able to offset the impact by reducing costs and we have saved over £24m per year since their peak in 2012/13. We cannot remain sustainable just by cutting costs, we must also invest in our vision to become a Marine Geospatial Information Agency and develop new revenue streams. This transformation has been our core focus for the past few years but there is still some way to go. We anticipate a further investment of £20m in external change costs on top of internal resource over the next 5 years. Of course, this strategy will be kept under constant review and will be flexed depending on how successful we are at finding new avenues for our data that add value for our owner, MOD.

### Remote contingent liabilities

(This section has been subject to audit).

#### Error in our products and services

The Government ultimately carries the risk in the event that an error in our products and services contributes to an incident at sea. All of our safety and quality systems are focused on mitigating this risk. We carry Professional Indemnity insurance to cover the first £50m of any claim. Any liability beyond this is considered to be under-written by our parent department, the MOD.

During the year, we engaged with HMT who have noted this risk in their register of remote contingent liabilities.

#### Leaving the European Union

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. On 31 January 2020, the Withdrawal Agreement between the UK and the EU became legally binding and the UK left the EU. The future relationship between the EU and the UK will be determined by negotiations taking place during a transition period ending 31 December 2020. Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations.

We are monitoring developments and evaluating potential impacts on the UKHO. In particular we are considering the mitigation of any issues associated with supply chain, data acquisition, distribution of products and in any future trading agreements in the context of the UKHO's status as a state-owned enterprise. We are also engaging with Government to see where UKHO's position can support broader policy development especially as part of Global Britain.

### Impact of the Covid-19 pandemic

In November 2019 a novel strain of coronavirus was detected and spread rapidly, leading the World Health Organisation to declare a pandemic on 11 March 2020. The pandemic caused significant economic disruption just before the financial year end. As reported in the Performance Review on page 31, the UKHO has evaluated the impact of Covid-19 on our business. To date, the financial impact of Covid-19 has not been material on our business. Our non-critical support to our Defence customer was, for a time, disrupted but we are working to rectify delays to deliverables. However, the ongoing disruption caused by the pandemic continues to create significant economic uncertainty, and this uncertainty is expected to continue throughout 2020 and into 2021.



#### Rear Admiral Peter Sparkes

Acting Chief Executive and UK National Hydrographer  
2 December 2020

# The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

## Opinion on financial statements

I certify that I have audited the financial statements of the UK Hydrographic Office for the year ended 31 March 2020 under the Government Trading Funds Act 1973. The financial statements comprise: the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- › the financial statements give a true and fair view of the state of the UK Hydrographic Office's affairs as at 31 March 2020 and of its retained loss for the year then ended; and
- › the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

## Opinion on regularity

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

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the UK Hydrographic Office in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- › the UK Hydrographic Office's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- › the UK Hydrographic Office have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the UK Hydrographic Office's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue

## Responsibilities of the Chief Executive as Accounting Officer for the financial statements

As explained more fully in the Statement of Responsibilities of the Chief Executive as Accounting Officer, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

## Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- › identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. obtain an understanding of

## The certificate and report of the Comptroller and Auditor General to the Houses of Parliament continued

internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the UK Hydrographic Office's internal control.

- › evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- › evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- › conclude on the appropriateness of the UK Hydrographic Office's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the UK Hydrographic Office's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the UK Hydrographic Office to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

### Other Information

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my

responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### Opinion on other matters

In my opinion:

- › the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973;
- › in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- › the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I report by exception

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

- › adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- › the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- › I have not received all of the information and explanations I require for my audit; or
- › the Governance Statement does not reflect compliance with HM Treasury's guidance.

### Report

I have no observations to make on these financial statements.

### Gareth Davies

Comptroller and Auditor General  
4 December 2020

### National Audit Office

157-197 Buckingham Palace Road  
Victoria, London  
SW1W 9SP

# Statement of comprehensive income

For the year ended 31 March 2020

	Note	2019/20 £k	2018/19 Restated £k
Revenue	3	164,647	162,247
Cost of sales		(68,784)	(61,235)
<b>Gross margin</b>		<b>95,863</b>	101,012
Operating expenses		(60,050)	(60,311)
<b>Operating profit</b>		<b>35,813</b>	40,701
Exceptional items		–	(580)
<b>Profit on ordinary activities before interest and after exceptional items</b>		<b>35,813</b>	40,121
Interest receivable and similar income	5	1,306	872
<b>Profit before and after taxation</b>		<b>37,119</b>	40,993
Dividends	7	(41,800)	(10,734)
<b>Retained (loss)/profit for the financial year</b>		<b>(4,681)</b>	30,259
Other comprehensive income			
Revaluation of non-current assets		1,114	2,128
<b>Total comprehensive (loss)/income</b>		<b>(3,567)</b>	32,387

The notes on pages 60 to 81 form part of these accounts.

# Statement of financial position

As at 31 March 2020

	Note	2019/20 £k	2018/19 Restated £k	2017/18 Restated £k
<b>Non-current assets</b>				
Property, plant and equipment	8	47,714	49,163	33,023
Intangible assets	9	13,249	14,930	15,078
Total non-current assets		60,963	64,093	48,101
<b>Current assets</b>				
Inventories	10	990	1,014	1,278
Trade and other current receivables	11	40,243	44,695	40,091
Cash and cash equivalents	12	101,197	97,951	102,203
Total current assets		142,430	143,660	143,572
<b>Total assets</b>		<b>203,393</b>	<b>207,753</b>	<b>191,673</b>
<b>Current liabilities</b>				
Trade and other current payables	13	(79,060)	(76,577)	(88,713)
Provisions	14	(1,715)	(2,526)	(3,359)
Total current liabilities		(80,775)	(79,103)	(92,072)
<b>Current assets less current liabilities</b>		<b>61,655</b>	<b>64,557</b>	<b>51,500</b>
<b>Non-current liabilities</b>				
Trade and other payables	13	(8,944)	(11,409)	(14,732)
Provisions	14	–	–	(15)
Total non-current liabilities		(8,944)	(11,409)	(14,747)
<b>Assets less liabilities</b>		<b>113,674</b>	<b>117,241</b>	<b>84,854</b>
<b>Taxpayers' equity</b>				
Public dividend capital	15	13,267	13,267	13,267
Revaluation reserve	16	7,705	6,682	5,773
Profit and loss reserve		92,702	97,292	65,814
<b>Total taxpayers' equity</b>		<b>113,674</b>	<b>117,241</b>	<b>84,854</b>

The notes on pages 60 to 81 form part of these accounts.



**Rear Admiral Peter Sparkes**

Acting Chief Executive and UK National Hydrographer  
2 December 2020

## Statement of cash flows

For the year ended 31 March 2020

	Note	2019/20 £k	2018/19 £k
<b>Net cash flow from operating activities</b>	20	44,612	22,535
<b>Cash flows from investing activities</b>			
Interest received		1,306	872
Purchase of property, plant and equipment	8	(151)	(17,380)
Purchase of intangible assets	9	(1,787)	(1,647)
Net cash outflow from investing activities		(632)	(18,155)
<b>Cash flows from financing activities</b>			
Dividends paid		(40,734)	(8,632)
Net cash outflow from financing activities		(40,734)	(8,632)
<b>Net financing</b>			
Net increase/(decrease) in cash and cash equivalents in the year		3,246	(4,252)
Cash and cash equivalents at the beginning of the year	12	97,951	102,203
<b>Cash and cash equivalents at the end of the year</b>		<b>101,197</b>	97,951

The notes on pages 60 to 81 form part of these accounts.

## Statement of changes in taxpayers' equity

For the year ended 31 March 2020

	Note	Profit and Loss Reserve £k	Revaluation Reserve £k	Public Dividend Capital £k	Total Reserves £k
<b>Restated balance at 1 April 2019</b>		<b>97,292</b>	<b>6,682</b>	<b>13,267</b>	<b>117,241</b>
Other comprehensive income					
Revaluation of property, plant and equipment (PPE)	8	–	1,029	–	1,029
Disposal of intangible assets	16	50	(50)	–	0
Revaluation of intangible assets	9	–	85	–	85
Transfer between reserves profit/(loss)	16	41	(41)	–	–
Total other comprehensive income		91	1,023	–	1,114
Net income for the period		37,119	–	–	37,119
Total recognised income and expense for the period		37,210	1,023	–	38,233
Dividend	7	(41,800)	–	–	(41,800)
<b>Balance at 31 March 2020</b>		<b>92,702</b>	<b>7,705</b>	<b>13,267</b>	<b>113,674</b>
Balance at 31 March 2018		71,560	16,491	13,267	101,318
Prior period adjustment	2	(5,746)	(10,718)	–	(16,464)
<b>Restated balance at 1 April 2018</b>		<b>65,814</b>	<b>5,773</b>	<b>13,267</b>	<b>84,854</b>
Other comprehensive income					
Revaluation of property, plant and equipment (PPE)	8	–	2,015	–	2,015
Disposal of intangible assets	16	91	(91)	–	–
Revaluation of intangible assets	9	–	113	–	113
Transfer between reserves	16	29	(29)	–	–
Release of revaluation reserve on disposal of PPE	16	1,099	(1,099)	–	–
Total other comprehensive income		1,219	909	–	2,128
Net income for the period		40,993	–	–	40,993
Total recognised income and expense for the period		42,212	909	–	43,121
Dividend	7	(10,734)	–	–	(10,734)
<b>Restated balance at 31 March 2019</b>		<b>97,292</b>	<b>6,682</b>	<b>13,267</b>	<b>117,241</b>

The notes on pages 60 to 81 form part of these accounts.

# Notes to the accounts

## I. Accounting policies

### A. Basis of accounting

We operate as a Trading Fund within the MOD in accordance with Statutory Instrument SI 1996/773. The accounts have been prepared in accordance with the direction given by HM Treasury on 19 December 2019 in pursuance of section 4(6) (a) of the Government Trading Funds Act 1973 and the Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context in the UK.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the circumstances of the UKHO for giving a true and fair view has been selected. The policies adopted are described below and have been applied consistently in dealing with items that are considered material to the accounts.

All figures within the financial statements and associated notes are in British pounds rounded to the nearest thousand (£k).

### B. Accounting convention

These financial statements have been prepared on an accruals basis under the historical cost convention, modified by the revaluation of intangible assets and property, plant and equipment assets.

### C. Going concern

The UKHO has prepared a five-year corporate plan from 2020/21 on a prudent basis. In addition, due to the current COVID-19 pandemic, we have run some scenarios based on various impacts that might have been seen due to the downturn in the world economy. These scenarios ranged from a 10% drop in margins through to a 30% drop. In all cases, with appropriate mitigating actions, the Board are confident that the UKHO can remain a viable business and that we will have the necessary cash to meet our obligations for the foreseeable future.

The financial statements have, therefore, been prepared on a going concern basis.

### D. Basis of consolidation

The UKHO has a wholly owned subsidiary company, Admiralty Holding Limited, which in turn has 9 wholly owned subsidiary companies. Admiralty Holding Limited last traded in 2014/15 and the subsidiary companies have never traded. The assets and liabilities of these companies are immaterial to these financial statements.

On this basis none of the companies have been consolidated.

The UKHO also operates the International Centre for Electronic Navigational Charts (IC-ENC). IC-ENC has 45 member nations that collaborate on the quality control and distribution of ENCs.

The substance of these arrangements is such that the UKHO does not have control over the activities of IC-ENC members and their activities are therefore not consolidated.

These financial statements therefore only cover the UKHO.

### E. Changes in accounting policies and disclosures

There are no new IFRS that came into effect during 2019/20.

### F. IFRSs, amendments and interpretations in issue but not yet effective or adopted

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, require disclosures in respect of new IFRSs, amendments and interpretations that are, or will be applicable after the reporting period. There are a number of IFRSs, amendments and interpretations that have been issued by the International Accounting Standards Board (IASB) that are effective for financial statements after this reporting period.

### The following have not been adopted early:

#### IFRS 16 Leases

The new standard requires lessees to recognise nearly all leases on the balance sheet, which will reflect their right to use an asset for a period of time and the associated liability for payments.

UK Government has decided to adopt this standard from 1 April 2020. UKHO currently has only one relevant lease, a property lease in respect of a print facility in Bridgwater. The current annual rental charge is £97k and the lease is due to expire by 31 March 2023.

Government has created the Government Property Agency (GPA) to consolidate the ownership of all office buildings within one agency in order to maximise utilisation of office space across Government. We are in early stages of understanding the impact this will have on the UKHO but it is likely that, at some point, our main office building will be transferred to the GPA and we will be required to lease it back.

The likely impact on assets and liabilities from 2020/21 will not be material.

## IFRS 17: Insurance Contracts

The new standard will apply more standardised and rigorous requirements on accounting for insurance contracts. It sets clearer expectations on the recognition, classification and measurement of assets and liabilities in relation to insurance contracts.

UK Government expects public sector implementation to be from 2022/23. UKHO will consider whether, through contractual arrangements or custom and practice, our activities insure other bodies against specific risks.

New transaction streams or arrangements will be monitored against the criteria of IFRS 17 to ensure all liabilities are appropriately recognised if applicable.

## G. Property, plant and equipment non-current assets

### Recognition

For furniture, plant and machinery, new acquisitions are capitalised where the cost exceeds £5,000. In respect of all other asset classes, new additions and improvements are capitalised where the value of discrete items exceeds £1,000. Assets are recognised initially at cost, which comprises purchase price, construction costs, after deducting for any discounts or rebates and any costs directly attributable to bringing the asset into the location and condition necessary for it to be capable of operating in the manner intended.

Assets will also be recognised where collectively, a number of items have a cost of at least £5,000 and individually have cost of more than £250, and the assets are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have similar disposal dates and are under single managerial control.

Assets Under Construction are capitalised during the period of construction and on completion, balances are released into the appropriate asset category.

### Valuation

After initial recognition, Building and Plant and Machinery Assets are expressed at their fair value through professional valuation and/or the application of indices to revalue the asset to Depreciated Replacement Cost (DRC). Indices are provided by the Valuation Office for land and buildings and by defence economics for plant and equipment. Buildings are subject to a quinquennial revaluation by external valuers in accordance with IAS 16 as interpreted by the FReM. The next quinquennial valuation is due in 2023/24.

Furniture and fittings and Information technology assets are retained at historic cost due to their short-term economic life. Assets under construction are not subject to indexation.

Assets which are not held for their service potential are valued in accordance with IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations or IAS 40 – Investment Property, depending on whether the asset is actively held for sale.

Assets which are surplus are valued in accordance with IFRS 13 Fair Value. The UKHO interprets surplus to mean that the assets are no longer required and there is no clear plan to bring them back into service.

### Impact of the Covid-19 pandemic on valuation

The UKHO has considered whether the COVID-19 pandemic has led to any requirement to impair the valuation of these assets under IAS36: Impairment of assets. The UKHO, together with support from the MOD, has reviewed the appropriateness of its Property, Plant and Equipment Non-Current Asset valuations as at 31 March 2020 and concluded that the pandemic does not give rise to any impairment of asset valuation.

The FReM has interpreted IAS36 to state that where the asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential.

It is not considered that there has been a reduction in service potential as a result of COVID-19. The UKHO considers that these assets continue to be held to meet our objectives and they are still expected to generate their intended future economic benefits.

### Depreciation, impairment and review of estimated useful life

Freehold land is not depreciated. Depreciation on other assets is calculated to write off the original cost or revalued amount, over their estimated useful lives. Assets are depreciated on a straight-line basis as over the following periods:

- › Buildings not exceeding 100 years
- › Plant and equipment between 1 and 20 years
- › Furniture and fittings over 10 years
- › Information technology assets between 2 and 5 years.

Useful economic lives are reviewed at least annually. The bases for estimating useful economic life include experience of previous similar assets, the condition and performance of the

## Notes to the accounts continued

asset and knowledge of technological advances and obsolescence.

All property, plant and equipment non-current assets are tested for impairment when there are indications that the carrying value may not be recoverable. Any impairment losses in excess of any amounts held in the revaluation reserve in respect of the asset being impaired, are recognised immediately in the Statement of Comprehensive Income.

### H. Intangible non-current assets

#### Recognition

Intangible assets are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to the UKHO and where the cost of the asset can be measured reliably.

#### Software licences

Purchased software, is capitalised as an intangible asset.

#### Developed software

Research costs are charged to the Statement of Comprehensive Income in the period in which they are incurred.

Development costs are capitalised in accordance with IAS 38 – Intangible Assets (as adapted in the FReM).

Specifically, databases and other software that are established for the internal use of management (such as payroll or HR systems) are not recognised as intangibles.

#### Valuation

The UKHO's capitalisation threshold is £5,000. Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

Software licences are retained at historical cost due to their short-term economic life.

Subsequently, developed software is revalued using indices to revalue the intangible asset to DRC or, if the asset is income generating, to value in use if lower than DRC. We have calculated our own index for internally generated software assets to reflect the average cost per hour of resource charged to software development time each year. Intangible Assets Under Construction are not subject to indexation where the costs capitalised during the period of construction are deemed to reflect fair value.

Intangible assets held for sale are measured at the lower of their carrying amount or "fair value less costs to sell".

#### Impact of the Covid-19 pandemic on valuation

The UKHO considers that there has not been any identifiable impact from COVID-19 on the values of intangible assets. It considers that the carrying values of capitalised development costs continue to be appropriate and in line with the asset class they support.

#### Amortisation, impairment and review of estimated useful life

Intangible assets are amortised on a straight-line basis over their useful economic lives, from the date economic benefit starts to be derived.

Software licences are amortised over the useful economic lives of between two and five years. Developed software assets are amortised over the useful economic lives of between five and twenty five years.

All intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. Any impairment losses in excess of any amounts held in the revaluation reserve in respect of the asset being impaired, are recognised immediately in the Statement of Comprehensive Income.

The following factors are considered in estimating useful lives: expected use of the asset, the effects of obsolescence, changes in demand, competing products, and other economic factors, including the stability of the market and known technological advances. Useful lives are reviewed on a regular basis to ensure they remain appropriate.

### I. Hydrographic data

In carrying out our business, we utilise raw hydrographic data provided by the MOD, the MCA, and foreign governments and private companies. This data is owned by these third parties and we pay a royalty or data cost to use it. Accordingly, we do not carry the value of the data on our Statement of Financial Position, charging all costs of acquiring and maintaining the data to the Statement of Comprehensive Income as incurred.

### J. Inventories and work in progress

Raw material inventory is valued at the lower of cost or net current replacement cost. Finished goods inventory is valued at the lower of cost and net realisable value. Provision is made, where necessary, for obsolete, slow-moving and defective inventories.

## Notes to the accounts continued

### K. Financial instruments

We account for financial instruments in accordance with IFRS 7, IFRS 9 and IAS 39.

#### Trade and other receivables

All receivables, including trade and VAT receivables, staff loans and advances are initially recognised at fair value (plus transaction costs) and subsequently at their amortised cost. Discounting is relevant to those receivables and loans which carry a nil or a subsidised rate of interest. However, our receivables that are due within one year are not discounted on the grounds of materiality.

#### Trade and other payables

Liabilities covering trade payables, accruals, VAT, tax and loans are classified as other liabilities and are initially recognised at fair value (plus transaction costs), and subsequently at their amortised cost. This applies to those liabilities carrying a nil or a subsidised rate of interest. On the grounds of materiality, our liabilities are not discounted.

#### Cash and cash equivalents

We administer our cash management process to provide value for money to us. Wherever possible, cash is held in interest-earning accounts and each deposit is at a fixed rate of interest until the deposit is returned. These are recognised initially at fair value net of transaction costs, and subsequently at amortised cost under the effective interest rate.

### L. Cash and cash equivalents

Cash and cash equivalents comprise cash held at bank and in hand.

The UKHO holds cash due to the members of IC-ENC in a UKHO bank account. The UKHO does not have full control over the use of this cash nor does it have the right to the future economic benefits from this cash. This cash is therefore not recognised as an asset, but it is disclosed in Note 12 of these financial statements.

### M. Investments

Surplus cash is held in interest-bearing accounts and invested for specific periods to ensure cash availability meets the demands of the business.

### N. Provisions

Provisions for liabilities and charges have been established under the criteria of IAS 37 Provisions,

Contingent Liabilities and Contingent Assets and are based on realistic estimates of the expenditure required to settle legal or constructive obligations that exist at 31 March 2020.

#### Allowance for doubtful debts

We set aside an allowance for doubtful debts based on payment history, external credit reference reports and financial information.

### O. Capital and Reserves

#### Public dividend capital

Public dividend capital represents the capital invested by the Ministry of Defence in the UKHO on becoming a Trading Fund on 1 April 1996. Public dividend capital is not an equity instrument as defined in IAS 32 Financial Instruments.

#### Profit and loss reserve

The Profit and loss reserve represents the cumulative retained net income (after dividends) since the UKHO became a Trading Fund.

#### Revaluation reserve

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments to assets. Increases arising on revaluation are taken to the revaluation reserve. A revaluation decrease is charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the income statement.

### P. Foreign currencies

Assets and liabilities denominated in a foreign currency are translated into sterling at the rate of exchange ruling as at 31 March 2020. Transactions are recorded at the rate ruling at the time of the transaction. Exchange differences are taken to the Statement of Comprehensive Income.

### Q. Revenue

All revenue is recognised in accordance with IFRS 15. Revenue is recognised when a performance obligation included within a contract with a customer is satisfied, at the transaction price allocated to that performance obligation.

## Notes to the accounts continued

### Performance obligations

The table below sets out, for each revenue stream, when performance obligations are typically satisfied, the significant payment terms, and the nature of the goods or services which the UKHO supplies. All revenue streams usually have a contract of a duration of one year or less, and therefore the transaction price allocated to remaining performance obligations is not disclosed, applying the practical expedient in IFRS 15.121.15.121.

Revenue stream	Description of income stream	Performance obligation	Payment terms
Paper charts and publications	Charts and other publications provided on paper	Delivery of the product to the customer and any updates over the period between the delivery and the publication of a new edition of that product	Payment is made in arrears on satisfaction of the initial performance obligation. A portion of this payment is in advance of satisfaction of the performance obligation to provide updates.
Digital licensing (charts and publications)	Charts and other publications provided digitally as a service for a period of time	Provision of the digital product and any updates over the period of the licence	Payment is made in arrears on satisfaction of the initial performance obligation
Licensing revenue	Licences sold for the use of UKHO data	Provide data and updates to the data as they arise during the licence period	Payment in arrears on satisfaction of performance obligation
MOD services	Overarching contract for the delivery of goods and services to MOD	Delivery of the product or service to the customer	Payment in arrears on satisfaction of performance obligation
UK Government surveying contracts	Contracts held with UK Government to carry out hydrographic surveys	Delivery of the product or service to the customer	Payment in arrears on satisfaction of performance obligation

Revenue, which is stated net of any VAT, is from the provision of hydrographic and marine geospatial services.

A provision is made against current sales in respect of future credits for superseded inventories held by ADMIRALTY Chart Agents. The provision represents a 5% credit allowance for returns of inventory following release of new editions and a 1% credit allowance in relation to inventory cleanses.

### Contract balances

Contract assets (accrued revenue) primarily relate to the UKHO's right to consideration for work completed but not yet billed at the reporting date.

Contract liabilities, reported under IFRS 15, are disclosed separately in the note for trade payables

and other current liabilities. Contract liabilities are recognised on receipt of cash for services and derecognised at the point of provision of those services. Contract liabilities (deferred revenue) primarily relate to the consideration received from customers in advance of transferring a good or service. Digitally delivered products are sold for between 3 to 12 month periods. For expediency, the deferred revenue is calculated, for new purchases, over the life of the licence plus the month within which the licence was purchased. If that product is then renewed the revenue is deferred over the period of the licence as all renewals start on the first day of each month.

## Notes to the accounts continued

### R. Operating segments

The operating segments are reported based on financial information provided to the UKHO's Executive Committee (EXCO). EXCO is considered to be the Chief Operating Decision Maker (CODM) and is responsible for allocating resources and assessing the performance of the operating segments.

Three segments have been identified by the UKHO and discrete financial information, consisting of revenue with cost of sales and gross margin, for these segments is provided to the CODM. All operating segments derive their revenue from the provision of hydrographic and marine geospatial services.

EXCO evaluates performance of the segments based on segment revenue and gross margin.

### S. Royalties and data costs

The conditions governing the payment and receipt of royalties and data costs are covered by appropriate formal agreements with third parties and accounted for on an accruals basis.

### T. Treatment of leases

All expenditure incurred in respect of operating leases is charged to operating expenses in the Statement of Comprehensive Income in the year in which they arise. We have no finance leases.

### U. Salaries, wages and employment-related payments

Short-term benefits – salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. Where material, performance pay and annual leave earned but not taken by the year-end are recognised on an accruals basis in the financial statements.

### V. Retirement benefit costs

Our staff are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is an unfunded multi-employer defined benefit scheme. However, since we are unable to identify its share of the underlying assets and liabilities, it is accounted for as a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the accounting period.

Contributions are paid at rates determined from time to time by the scheme's actuary.

Details of rates and amounts of contributions during the year are given in the Remuneration and staff report (pages 42 to 47). Our staff may be in one of five statutory-based defined benefit schemes; alpha, classic, premium, classic plus, and nuvos (classic, premium, classic plus and nuvos are now closed to new members).

New entrants after 1 April 2015 may choose between membership of alpha or joining a money purchase stakeholder pension agreement with a significant employer contribution (partnership pension account).

### W. Exceptional items

Exceptional items are those significant items which individually, or if of a similar type in aggregate, are separately disclosed by virtue of their size or incidence to enable a full understanding of our financial performance. Business restructurings are considered exceptional in nature.

### X. Taxation

#### Corporation Tax

The UKHO, as a Trading Fund, is exempt from corporation tax and consequently the requirements to account for current and deferred corporation tax are not relevant.

#### VAT

The UKHO is registered for VAT. Costs are included net of recoverable VAT. Income from services provided to third parties is included within operating income, net of related VAT. Where it arises, irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets.

### Y. Critical accounting judgements and key sources of estimation uncertainty

The preparation of these financial statements requires the UKHO to make judgements, estimates and assumptions in respect of a range of activities that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts and liabilities within the next financial year are addressed below.

## Notes to the accounts continued

### Valuation of Non-Current Intangible and Property, Plant and Equipment assets

Certain Non-Current Intangible and Property, Plant and Equipment assets are expressed at their fair value or at DRC. This requires the application of estimates and judgements. Land and property assets are revalued at least every five years from the anniversary of their initial recognition in accordance with FReM requirements. Between valuations, the UKHO updates asset values through the application of indices. The selection and application of indices represents a key judgement, and there is a risk that this could result in different values in the intervening years compared to a full valuation if these had been undertaken each year.

The useful lives of assets are based on an estimated out-of-service date or the estimated period of use, which is subject to change. The useful lives are reviewed annually.

In addition to considering the valuation of Non-Current Intangible and Property, Plant and Equipment assets, the UKHO considers more broadly whether there are any indications of impairments to the carrying amounts of UKHO's assets. Where such an indication exists, the UKHO makes a judgement as to the impairment required to bring the asset to the value it considers it should be held at.

In addition to the usual consideration of any indications of impairment we have considered the potential impact of the COVID-19 pandemic might have had on the valuation of Non-Current Intangible and Property, Plant and Equipment assets. The valuers were consulted on the potential impact on property valuations and have confirmed that, based on latest market information, there is no evidence that the indices provided have materially changed. They are considered to remain valid and the best available information.

It was reported in the 2018/19 Report that, following the completion and occupation of our new office building in January 2019, most of our older existing buildings will be demolished and the surplus land sold. In June 2019 the land was valued at £3.65m. At that time, we also estimated that the costs associated with making the land ready for sale, largely demolition and asbestos removal, were likely to be about £3.5m and impaired the land value to reflect this. We have now reduced this impairment to £3.2m following the letting of the demolition contract.

We have made the same consideration regarding the current land valuation as we have made to all PPE assets, including consideration of the impact that the Covid-19 pandemic might have. We have concluded that any change to this valuation is unlikely to be material and there is no reason to consider any further impairment at this time.

### Estimation of Deferred Revenue

Per note 1Q, our paper charts have two performance obligations: the delivery of the product to the customer and our obligation to provide an update service for those products until the next new edition is published. Revenue relating to the first obligation is recognised on delivery of the product to the customer. Revenue relating to the second obligation is deferred over the average time between the original and new editions. As there is no market value for the update service we provide, we have used the percentage of the total cost of paper chart production that relates to the cost of providing the update service as a proxy to estimate the percentage of revenue that should be deferred in relation to the second obligation. This revenue is deferred over the average new edition frequency of 6 years. This has been calculated using an analysis of all paper charts subject to the update service over the past ten years. As the timing of new editions is highly variable, we have provided an indication of the sensitivity of management assumption in note 2: Prior Period Adjustments.

## Notes to the accounts continued

### 2. Prior Period Adjustments

#### Recognition of paper chart update service obligation

IFRS 15 – Revenue from Contracts with Customers introduced changes to the timing of revenue recognition for contracts, matching revenue to performance obligations and was a change in accounting policy that was first adopted in the 2018/19 financial year. In that year it was reported that the impact of this new standard was not material as the revenue from our digital products was already accounted for over the lives of those licences.

It is now recognised that revenue from paper products, previously recognised as having only one performance obligation, the delivery

of the product to the customer, was incorrect. These products are sold with an implied performance obligation for us to provide an update service, Notice to Mariners, until a new edition is published. Consequently, the element of revenue that relates to the cost of the update service is now deferred over the average time between the original and new editions.

We have analysed our chart portfolios over the last 10 years and have calculated the average new edition cycle to be six years. We have concluded that this is the deferral period that should be used. We recognise that there is some variability around the timing of subsequent new editions. In order to provide an indication of the sensitivity attached to this assumption, the impact of applying a range between 5 and 7 years is shown below.

	5 year deferral Impact		6 year deferral Impact		7 year deferral Impact	
	Revenue Deferred £k	Revenue Profits £k	Revenue Deferred £k	Revenue Profits £k	Revenue Deferred £k	Revenue Profits £k
March 18	17,678		22,915		28,383	
March 19	13,692	3,987	18,325	4,590	23,289	5,093
March 20	10,733	2,959	14,597	3,729	18,942	4,347

The Financial Statements include a Prior Period Adjustment to reflect this change in accounting policy. Further detail relating to this new policy and the calculation method used is included in note IQ – Revenue.

#### Correction of Software Development intangible assets

Upon review of Software Development intangible non-current assets, a number of errors were noted in respect of the useful economic lives applied to

certain assets in addition to the incorrect application of indexation used to calculate carrying values. As a result, management have reassessed the useful economic lives of a number of assets and has revalued them in line with the accounting policy. This has resulted in an increase in the value of the assets and an adjustment to the profit and loss and revaluation reserves to correct errors in the historical application of amortisation and revaluation.

## Notes to the accounts continued

### Restatement of Statements of Financial Position

	31 March 2018 £k	Recognition of paper update service obligation £k	Correction of Software Development intangible assets £k	Restated 1 April 2018 £k	31 March 2019 £k	Recognition of paper update service obligation £k	Correction of Software Development intangible assets £k	Restated 1 April 2019 £k
<b>Non-current assets</b>								
Property, plant and equipment	33,023	–	–	33,023	49,163	–	–	49,163
Intangible assets	8,627		6,451	15,078	7,436	–	7,494	14,930
<b>Total non-current assets</b>	41,650	–	6,451	48,101	56,599	0	7,494	64,093
<b>Current assets</b>								
Inventories	1,278	–	–	1,278	1,014	–	–	1,014
Trade and other current receivables	40,091	–	–	40,091	44,695	–	–	44,695
Cash and cash equivalents	102,203	–	–	102,203	97,951	–	–	97,951
<b>Total current assets</b>	143,572	–	–	143,572	143,660	–	–	143,660
<b>Total assets</b>	185,222	–	6,451	191,673	200,259	–	7,494	207,753
<b>Current liabilities</b>								
Trade and other current payables	(80,530)	(8,183)	–	(88,713)	(69,661)	(6,916)	–	(76,577)
Provisions	(3,359)	–	–	(3,359)	(2,526)	–	–	(2,526)
<b>Total current liabilities</b>	(83,889)	(8,183)	–	(92,072)	(72,187)	(6,916)	–	(79,103)

## Notes to the accounts continued

### Restatement of Statements of Financial Position continued

	31 March 2018 £k	Recognition of paper update service obligation £k	Correction of Software Development intangible assets £k	Restated 1 April 2018 £k	31 March 2019 £k	Recognition of paper update service obligation £k	Correction of Software Development intangible assets £k	Restated 1 April 2019 £k
<b>Current assets less current liabilities</b>	59,683	(8,183)	–	51,500	71,473	(6,916)	–	64,557
<b>Assets less current liabilities</b>	101,333	(8,183)	6,451	99,601	128,072	(6,916)	7,494	128,650
<b>Non-current liabilities</b>								
Trade and other payables	–	(14,732)	–	(14,732)	–	(11,409)	–	(11,409)
Provisions	(15)	–	–	(15)	–	–	–	–
<b>Total non-current liabilities</b>	(15)	(14,732)	–	(14,747)	–	(11,409)	–	(11,409)
<b>Assets less liabilities</b>	101,318	(22,915)	6,451	84,854	128,072	(18,325)	7,494	117,241
<b>Taxpayers' equity</b>								
Public dividend capital	13,267	–	–	13,267	13,267	–	–	13,267
Revaluation reserve	16,491	–	(10,718)	5,773	11,214	–	(4,532)	6,682
Profit and loss reserve	71,560	(22,915)	17,169	65,814	103,591	(18,325)	12,026	97,292
<b>Total taxpayers' equity</b>	101,318	(22,915)	6,451	84,854	128,072	(18,325)	7,494	117,241

## Notes to the accounts continued

### Restatement of Statement of Comprehensive Income

	2018/19 £k	Recognition of paper chart update service obligation £k	Correction of Software Development intangible assets £k	Restated 2018/19 £k
Revenue	157,657	4,590		162,247
Cost of sales	(61,235)			(61,235)
Gross margin	96,422	4,590		101,012
Operating expenses	(61,241)		930	(60,311)
Operating Profit	35,181	4,590	930	40,701
Exceptional items	(580)			(580)
Profit on ordinary activities before interest and after exceptionals	34,601	4,590	930	40,121
Interest receivable and similar income	872			872
Profit before and after taxation	35,473	4,590	930	40,993
Dividend	(10,734)			(10,734)
<b>Retained (loss)/profit for the financial year</b>	24,739	4,590	930	30,259
Other comprehensive income				
Revaluation of non-current assets	2,015		113	2,128
<b>Total comprehensive (loss) income</b>	26,754	4,590	1,043	32,387

## Notes to the accounts continued

### 3. Operating segments

The UKHO has three reportable business segments, and these are disclosed to enable the users of these financial statements to evaluate the nature and financial effects of UKHO's business activities.

All operating segments derive their revenue from the provision of hydrographic and marine geospatial services.

	Commercial 2019/20 £k	Defence 2019/20 £k	Other government 2019/20 £k	Total 2019/20 £k	Commercial 2018/19 £k	Defence 2018/19 £k	Other government 2018/19 £k	Total 2018/19 £k
Revenue unadjusted	144,584	12,393	3,941	160,918	137,084	12,129	8,444	157,657
Revenue recognition adjusted	3,729			3,729	4,590			4,590
Revenue restated	148,313			164,647	141,674			162,247
Cost of sales	(63,900)	(2,258)	(2,626)	(68,784)	(52,384)	(2,218)	(6,633)	(61,235)
Gross profit	84,413	10,135	1,315	95,863	89,290	9,911	1,811	101,012
Operating expenses				(60,050)				(60,311)
Exceptional items				–				(580)
Interest receivable and similar income				1,306				872
Total per financial statements				37,119				40,993

Overhead costs, assets and liabilities are not included in the financial information provided to review the performance of operating segments and are therefore not disclosed.

All revenue reported below is derived from external customers. There is no inter-segment revenue.

#### Information about major customers

Revenue from two customers exceeded 10% of the UKHO's total income.

	Commercial 2019/20 £k	Defence 2019/20 £k	Other government 2019/20 £k	Total 2019/20 £k	Commercial 2018/19 £k	Defence 2018/19 £k	Other government 2018/19 £k	Total 2018/19 £k
Customer 1	17,126	–	–	17,126	18,854	–	–	18,854
Customer 2	16,372	–	–	16,372	–	–	–	–

#### Revenue by geographical market

	2019/20 £k	2018/19 Restated £k
Europe, Middle East & Africa	123,503	119,619
Asia-Pacific	31,510	33,489
North America	9,450	8,938
Central & Latin America	184	201
<b>Total revenue</b>	<b>164,647</b>	162,247

Revenue has been attributed to geographical markets based on the location of the customer supplied.

## Notes to the accounts continued

### Timing of revenue recognition

	2019/20 £k	2018/19 Restated £k
Products transferred at a point in time	36,847	44,318
Products and services transferred over time	127,800	117,929
<b>Total revenue</b>	<b>164,647</b>	162,247

### 4. Profit on ordinary activities before interest

Profit on ordinary activities before interest is stated after charging the following:

	2019/20 £k	2018/19 Restated £k
Salaries, wages etc.	29,659	29,617
Social security costs	2,957	2,966
Pension costs	7,443	5,711
Apprentice levy	128	130
Agency staff costs	1,707	1,575
Service personnel costs	623	769
Staff costs capitalised within intangible assets	(908)	(1,023)
<b>Total staff costs</b>	<b>41,609</b>	39,745
Voluntary early release scheme	80	534
Early retirement	106	46
Depreciation	2,539	2,783
Amortisation – software licences	55	55
Amortisation – developed software	2,195	1,825
Loss on disposal of non-current assets	1,303	49
Realised foreign exchange (gain)/loss	(2,339)	247
Unrealised foreign exchange loss/(gain)	630	(1,516)
Auditor's remuneration	81	81
Development and transformational activities	676	5,962

### 5. Interest receivable and similar income

This relates to interest receivable from a commercial bank's high interest accounts and short-term investments for varying periods of between 3 and 12 months.

	2019/20 £k	2018/19 £k
<b>Interest receivable and similar income</b>	<b>1,306</b>	872

### 6. Taxation

The UKHO, as a trading fund, is exempt for corporation tax and consequently no current or deferred tax is accounted for.

## Notes to the accounts continued

### 7. Dividends

	2019/20 £k	2018/19 £k
Ordinary dividend	11,800	10,734
Special dividend	30,000	–
<b>Total dividends</b>	<b>41,800</b>	10,734

Special dividends are declared and paid in the same year.

### 8. Property, plant and equipment

	Freehold land £k	Buildings £k	Plant & machinery £k	Furniture & fittings £k	Information technology £k	Assets under construction £k	Total £k
<b>Cost or valuation</b>							
At 1 April 2019	6,428	36,988	2,296	784	4,904	–	51,400
Additions	–	–	–	–	151	–	151
Transfers	–	(240)	240	–	–	–	–
Impairment	–	(90)	–	–	–	–	(90)
Revaluation	627	382	34	–	–	–	1,043
<b>At 31 March 2020</b>	<b>7,055</b>	<b>37,040</b>	<b>2,570</b>	<b>784</b>	<b>5,055</b>	<b>–</b>	<b>52,504</b>

#### Depreciation

At 1 April 2019	–	–	916	22	1,299	–	2,237
Charged	–	895	254	77	1,313	–	2,539
Revaluation	–	–	14	–	–	–	14
<b>At 31 March 2020</b>	<b>–</b>	<b>895</b>	<b>1,184</b>	<b>99</b>	<b>2,612</b>	<b>–</b>	<b>4,790</b>

#### Net book value

<b>At 31 March 2020</b>	<b>7,055</b>	<b>36,145</b>	<b>1,386</b>	<b>685</b>	<b>2,443</b>	<b>–</b>	<b>47,714</b>
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#### Cost or valuation

At 1 April 2018	6,913	20,335	3,089	240	6,760	18,829	56,166
Additions	–	–	–	784	1,863	14,733	17,380
Transfers	–	32,596	–	–	513	(33,109)	–
Expensed	–	–	–	–	–	(453)	(453)
Disposals	–	(16,383)	(793)	(240)	(4,232)	–	(21,648)
Revaluation	(485)	440	–	–	–	–	(45)
At 31 March 2019	6,428	36,988	2,296	784	4,904	–	51,400

#### Depreciation

At 1 April 2018	–	17,211	1,411	210	4,311	–	23,143
Charged	–	1,224	290	52	1,217	–	2,783
Disposals	–	(16,375)	(785)	(240)	(4,229)	–	(21,629)
Revaluation	–	(2,060)	–	–	–	–	(2,060)
At 31 March 2019	–	–	916	22	1,299	–	2,237

#### Net book value

At 31 March 2019	6,428	36,988	1,380	762	3,605	–	49,163
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All tangible non-current assets are owned by the UKHO.

A professional valuation was carried out 27 February 2019 by James McLearn BSc from the valuation office agency (VOA). The next valuation of land and buildings will be 2024.

## Notes to the accounts continued

### 9. Intangible assets

	Software licences £k	Developed software restated £k	Assets under construction £k	Total £k
<b>Cost or valuation</b>				
Restated at 31 March 2019	569	28,449	1,488	30,506
Additions	–	1,787	–	1,787
Transfer	–	1,488	(1,488)	–
Disposals	–	(2,576)	–	(2,576)
Revaluation	–	183	–	183
<b>At 31 March 2020</b>	<b>569</b>	<b>29,331</b>	<b>–</b>	<b>29,900</b>

#### Amortisation

At 1 April 2019	169	15,407	–	15,576
Charged	55	2,195	–	2,250
Disposals	–	(1,273)	–	(1,273)
Revaluation	–	98	–	98
<b>At 31 March 2020</b>	<b>224</b>	<b>16,427</b>	<b>–</b>	<b>16,651</b>

#### Net book value

<b>At 31 March 2020</b>	<b>345</b>	<b>12,904</b>	<b>–</b>	<b>13,249</b>
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#### Cost or valuation

At 31 March 2018	6,457	30,010	766	37,233
Prior period adjustment	–	(1,052)	–	(1,052)
Restated at 1 April 2018	6,457	28,958	766	36,181
Additions	–	159	1,488	1,647
Transfer	–	766	(766)	–
Disposals	(5,888)	(1,650)	–	(7,538)
Revaluation	–	216	–	216
Restated at 31 March 2019	569	28,449	1,488	30,506

#### Amortisation

At 31 March 2018	5,974	22,632	–	28,606
Prior period adjustment	–	(7,503)	–	(7,503)
Restated at 1 April 2018	5,974	15,129	–	21,103
Charged	55	1,825	–	1,880
Disposals	(5,860)	(1,650)	–	(7,510)
Revaluation	–	103	–	103
Restated at 31 March 2019	169	15,407	–	15,576

#### Net book value

<b>Restated at 31 March 2019</b>	<b>400</b>	<b>13,042</b>	<b>1,488</b>	<b>14,930</b>
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All intangible non-current assets are owned by the UKHO.

## Notes to the accounts continued

### Analysis of intangible non-current assets

The disclosure below shows individual intangible assets that are material to our financial statements.

Project	Description	Carrying value 31/03/2020 £k	Remaining amortisation period (months)
Hydrographic Database and Chart Production Tools (HDB)	Production system for holding data and compiling charts	5,042	120
Fleet Manager	Fleet Manager is our integrated digital catalogue, product viewer and passage planning aid for organising, updating and consolidating all paper and digital information needed for planning safe voyages while simplifying essential tasks	4,911	60
Marine Data Portal	Software Development in support of the delivery of capabilities required for us to deliver our data efficiently to our customers in support of our vision to become the world leading Marine Geospatial Information Agency	1,173	60

### 10. Inventories

	2019/20 £k	2018/19 £k
Finished inventories	691	803
Materials	299	211
<b>Total inventories</b>	<b>990</b>	1,014

### 11. Trade and other current receivables

	2019/20 £k	2018/19 £k
Trade receivables	24,171	27,632
Prepayments	13,944	12,828
Contract assets-accrued income	2,103	4,204
Other receivables	25	31
<b>Total receivables</b>	<b>40,243</b>	44,695

## Notes to the accounts continued

### 12. Cash and cash equivalents

	2019/20 £k	2018/19 £k
Balance at 1 April	97,951	102,203
Net change in cash and cash equivalent balances	3,246	(4,252)
<b>Balance at 31 March</b>	<b>101,197</b>	97,951

The following balances at 31 March were held at:

	2019/20 £k	2018/19 £k
Commercial banks – short-term investments	25,311	55,887
Commercial banks – instant access, high-interest accounts	75,886	42,064
Third-party assets	–	–
<b>Cash and cash equivalents</b>	<b>101,197</b>	97,951

The carrying amounts of cash and cash equivalents approximate their fair values.

Commercial banks – instant access, high-interest account earns interest at 0.5%. Short-term investments earn at 0.15% interest and are made for varying periods of between 3 and 12 months.

The UKHO holds £11,346k in cash on behalf of the members of IC-ENC. This cash represents income due to IC-ENC members. It is not an asset of the UKHO and is not included in the note above.

Net cash and cash equivalents held in currencies other than sterling have been converted into sterling at 31 March 2020.

### 13. Trade and other payables

	2019/20 £k	2018/19 Restated £k
Accruals	10,963	19,335
Contract liabilities–deferred income	38,802	37,177
Proposed dividend	11,800	10,734
Trade payables	16,370	8,555
Other taxation and social security	1,125	776
<b>Total payables</b>	<b>79,060</b>	76,577
<b>Non-current liabilities</b>		
Contract liabilities–deferred income	8,944	11,409
<b>Total non-current liabilities</b>	<b>8,944</b>	<b>11,409</b>

## Notes to the accounts continued

### 14. Provisions

	Balance at 1 April 2019 £k	Charged to operating cost £k	Unwinding of discount £k	Applied £k	Reclassification £k	Balance at 31 March 2020 £k
<b>Current liabilities</b>						
Sales credits	2,520	1,715	–	(2,520)	–	1,715
Rationalisation	6	(6)	–	–	–	–
<b>Total current liabilities at 31 March 2020</b>	<b>2,526</b>	<b>1,709</b>	<b>–</b>	<b>(2,520)</b>	<b>–</b>	<b>1,715</b>

	Balance at 1 April 2018 £k	Charged to operating cost £k	Unwinding of discount £k	Applied £k	Reclassification £k	Balance at 31 March 2019 £k
<b>Current liabilities</b>						
Sales credits	3,326	2,520	–	(3,326)	–	2,520
Rationalisation	33	(42)	9	–	6	6
<b>Total current liabilities</b>	<b>3,359</b>	<b>2,478</b>	<b>9</b>	<b>(3,326)</b>	<b>6</b>	<b>2,526</b>

	Balance at 1 April 2018 £k	Charged to operating cost £k	Unwinding of discount £k	Applied £k	Reclassification £k	Balance at 31 March 2019 £k
<b>Non-current liabilities</b>						
Rationalisation	15	–	–	(9)	(6)	–
<b>Total non-current liabilities</b>	<b>15</b>	<b>–</b>	<b>–</b>	<b>(9)</b>	<b>(6)</b>	<b>–</b>
<b>Total liabilities at 31 March 2019</b>	<b>3,374</b>	<b>2,478</b>	<b>9</b>	<b>(3,335)</b>	<b>–</b>	<b>2,526</b>

### Analysis of expected timing of cash flows at 31 March 2020

	2020/21 £k	2021/22 £k	2022/23 2023/24 £k	Balance at 31 March 2020 £k
Sales credits	1,715	–	–	<b>1,715</b>

### Analysis of expected timing of cash flows at 31 March 2019

	2019/20 £k	2020/21 £k	2021/22 2022/23 £k	Balance at 31 March 2019 £k
Sales credits	2,520	–	–	2,520
Rationalisation	6	–	–	6
<b>Total</b>	<b>2,526</b>	<b>–</b>	<b>–</b>	<b>2,526</b>

## Notes to the accounts continued

### 15. Public dividend capital

	2019/20 £k	2018/19 £k
Public dividend capital	<b>13,267</b>	13,267

Public dividend capital represents the deemed equity shareholding in the UKHO.

### 16. Revaluation reserve

	Land	Buildings	Plant & machinery	Developed software	Total £k
<b>Restated balance at 1 April 2019</b>	<b>3,423</b>	<b>2,945</b>	<b>83</b>	<b>231</b>	<b>6,682</b>
Revaluation	627	382	20	85	1,114
Disposals				(50)	(50)
Transfer to profit and loss reserve				(41)	(41)
Development software	–	–	–	(41)	(41)
<b>Balance at 31 March 2020</b>	<b>4,050</b>	<b>3,327</b>	<b>103</b>	<b>225</b>	<b>7,705</b>

	Land	Buildings	Plant & machinery	Developed software	Total £k
Balance at 31 March 2018	3,908	1,187	440	10,956	16,491
Prior period adjustment				(10,718)	(10,718)
Restated at 1 April 2018	3,908	1,187	440	238	5,773
Revaluation	(485)	2,500	–	113	2,128
Disposals	–	(742)	(357)	(91)	(1,190)
Transfer to profit and loss reserve	–	–	–	(29)	(29)
<b>Restated balance at 31 March 2019</b>	<b>3,423</b>	<b>2,945</b>	<b>83</b>	<b>231</b>	<b>6,682</b>

### 17. Financial instruments

The UKHO's financial instruments comprise cash deposits and other items such as trade receivables, trade payables and provisions. The main purpose of these financial instruments is to finance the UKHO's operations.

The UKHO has limited powers to borrow or invest surplus funds. The main risks arising from the UKHO's financial instruments are foreign exchange, credit and liquidity risks. The UKHO's policies for managing these risks are set to achieve compliance with the regulatory framework including the rules contained within Managing Public Money.

#### Foreign exchange risk

The UKHO receives significant income in US dollars (USD) from the sale of digital products and makes significant USD payments to data owners in respect of those products. In order to manage this foreign exchange risk, the UKHO policy is to create a natural hedge by balancing USD assets and USD liabilities. We review the balance of USD assets and USD liabilities every two weeks and any excess USD cash held is sold at the spot rate on the day of transaction. We do not use any derivatives such as forward currency exchange contracts.

#### Credit risk

The UKHO is subject to some credit risk. The carrying amount of trade receivables, which is net of impairment losses (bad debt provision), contract assets and the amount of cash and cash receivables represents the UKHO's maximum exposure to credit risk.

## Notes to the accounts continued

Trade and other receivables consist of a large number of diverse government and non-government customers spread over a diverse geographical area. For trade receivables, the UKHO measures a provision for expected credit losses at an amount equal to lifetime expected credit losses, estimated by reference to past experience and relevant forward-looking factors.

The UKHO's assessment is that credit risk in relation to sales to government customers is extremely low as the probability of default is insignificant; therefore the provision for expected credit losses is immaterial in respect of receivables from these customers. For all non-government commercial customers, the UKHO assesses expected credit losses, however this is not considered material to the financial statements.

The UKHO manages the credit risk on trade receivables through the application of a credit control policy and credit insurance. The Covid-19 pandemic has caused significant economic disruption and uncertainty. We have been working closely with our channel and our trade credit insurers to evaluate the impact of any increased risk of default. To date we have not seen any discernible impact in payments and have not suffered any significant payment defaults.

For contract assets the expected credit loss provision is immaterial as the probability of default is insignificant.

The following table provides details of trade receivables beyond the due date and impairments made:

### Trade receivables beyond the due date

	Not overdue £k	Overdue 0–3 months £k	Overdue 3–6 months £k	Overdue 6–12 months £k	Overdue Over 12 months £k	Total £k
2019/20						
Receivables – not impaired	22,880	1,211	28	23	29	24,171
Allowance for doubtful debts	–	–	–	–	–	–
<b>Net trade receivables</b>	<b>22,880</b>	<b>1,211</b>	<b>28</b>	<b>23</b>	<b>29</b>	<b>24,171</b>

	Not overdue £k	Overdue 0–3 months £k	Overdue 3–6 months £k	Overdue 6–12 months £k	Overdue Over 12 months £k	Total £k
2018/19						
Receivables – not impaired	24,864	1,568	1,382	–	9	27,823
Allowance for doubtful debts	–	–	(191)	–	–	(191)
<b>Net trade receivables</b>	<b>24,864</b>	<b>1,568</b>	<b>1,191</b>	<b>–</b>	<b>9</b>	<b>27,632</b>

The credit risk on cash and cash equivalents is managed by a Treasury policy that requires cash deposits and investments to be held by suitably credit-worthy commercial banks. The maximum exposure to credit risk is limited to the carrying value of cash and cash equivalents in the Statement of Financial Position as at the reporting date. Based on historical experience and no defaults, the credit quality of financial assets that are neither past due or impaired is considered to be very high.

### Liquidity risk

Liquidity risk is the risk that the UKHO may not be able to settle or meet its obligations on time or at a reasonable price. The UKHO's finance department is responsible for management of liquidity risk, which includes funding, settlements, related processes and policies. The UKHO manages liquidity risk by maintaining adequate reserves and monitoring actual cash flow against forecast.

The table below sets out the UKHO's financial liabilities.

	2019/20 £k	2018/19 £k
<b>Financial liabilities</b>		
Trade and other payables	<b>88,004</b>	87,986

## Notes to the accounts continued

### Fair values

We are subject to some credit risk. The carrying amount of receivables, net of impairment losses (doubtful debt provision), represents the current value of all our financial instruments is considered to equate to fair value at 31 March 2020.

### Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial instrument are disclosed in Note 1 to the financial statements.

## 18. Commitments under leases

### Operating leases

Commitments under operating leases to pay rentals after 31 March are analysed as follows:

	2019/20 £k	2018/19 £k
<b>Property</b>		
Due within one year	97	97
Due after one year but within five years	194	97
<b>Total leases</b>	<b>291</b>	194

The property lease relates to a five-year lease on a new print facility in Bridgwater.

## 19. Capital commitments

	2019/20 £k	2018/19 £k
Capital expenditure that has been contracted for, but has not been provided for in these financial statements		
Intangible assets	203	360
<b>Total capital commitments</b>	<b>203</b>	360

## 20. Reconciliation of profit on ordinary activities before interest to net cash inflow from operating activities

	2019/20 £k	2018/19 Restated £k
Reconciliation of Trading Fund cash flow		
Profit on ordinary activities before interest and after exceptional items	35,813	40,121
Depreciation and amortisation	4,789	4,663
Previously recognised assets expensed	90	453
Loss on sale and disposal of non-current assets	1,303	49
Decrease in inventories	24	264
Decrease/(Increase) in receivables	4,452	(4,604)
Decrease in payables	(1,048)	(17,563)
Decrease in provisions	(811)	(848)
<b>Net cash inflow from operating activities</b>	<b>44,612</b>	22,535

## Notes to the accounts continued

### 21. Contingent liabilities

The Government ultimately carries the risk in the event that an error in our products and services causes an incident at sea. All of our safety and quality systems are focused on mitigating this risk. We carry Professional Indemnity insurance for the first £50m of any claim and any liabilities beyond this are considered to be under-written by our parent department, the MOD.

### 22. Related party transactions

The UKHO is a Trading Fund owned by the MOD. The MOD, as our parent department, is regarded as a related party. During the year, we have also entered into material transactions with the department and with other entities for which the department is regarded as the parent department. All these transactions were carried out under standard contract terms.

#### Other related parties

We have had various material transactions with other Government departments and other central government bodies. Most of these transactions have been with the Foreign and Commonwealth Office. All transactions are carried out on standard contract terms.

### 23. Events after the reporting period

On 10 July 2020 it was announced that Tim Lowe CBE would be retiring and stepping down as Chief Executive and Accounting Officer with immediate effect due to personal reasons. Rear Admiral Peter Sparkes, UK National Hydrographer and Deputy Chief Executive, was appointed Acting Chief Executive and Accounting Officer with effect from 10 July 2020.

The accounts were authorised for issue on the date of certification by the Comptroller and Auditor General. No other events have occurred subsequent to the financial year-end that require disclosure in these financial statements.



UK Hydrographic  
Office

Admiralty Way, Taunton, Somerset  
TA1 2DN, United Kingdom

Telephone +44 (0)1823 484444  
customerservices@ukho.gov.uk

**gov.uk/ukho**

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