



The United Kingdom Hydrographic Office Annual Report and Accounts 2007/08





THE UNITED KINGDOM
HYDROGRAPHIC OFFICE

ANNUAL REPORT AND ACCOUNTS
2007/2008

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CHAIRMAN'S STATEMENT

I am going to depart from the tradition of Chairman's statements, and devote most of this year's to the year ahead.

We have had a successful 2007/08 financial year. Our paper business has continued to expand – sales of paper charts were up eight per cent by volume and 11 per cent by value – and there has been significant percentage growth in our digital products.

Underlying profitability has remained healthy, with a profit of £7.9M after significantly increased expenditures on both our digital database project, and in the development of the Admiralty Vector Chart Service (AVCS).

The accounts include an advance provision of redundancy costs within Project Amber, the restructuring project that we announced in December. As a result, net profits, though still positive, are down to £0.6m

The coming year will be the most challenging that UKHO has faced for a long time. In mid-April, we introduced our first competitive digital vector product, the Admiralty Vector Chart Service, with launch events in Singapore and London. The resources of the UKHO have been focussed on this launch for most of the last year. Our National Hydrographer, Rear Admiral Ian Moncrieff, has toured the world visiting foreign government Hydrographic Offices, seeking the permissions required to deliver AVCS.

Hundreds of thousands of man hours have gone into the digitisation of charts, to provide Official Digital Vector Charts with unmatched Coverage, a high degree of Consistency, at a competitive Cost – what we call the Three C's.

At launch, we have Coverage of 650 of the world's leading 800 ports. We will be adding to our Coverage throughout the year, and will be working with our colleagues in the International Hydrographic community to generate a Vector Service with a common look and feel, which will be of unrivalled quality and a significant contributor to Safety of Life at Sea.

In April, I spent some time on P&O's brand new passenger cruise ship, the Ventura, one of the vessels that is trialling AVCS. I found myself on a Bridge which is totally committed to digital navigation, believing it to be both safer and more cost effective.

We shall continue to develop AVCS over the next few years, adding to breadth of Coverage and introducing Value Added Layers of Information for the Ship's Master on the Bridge. By this time next year, I hope to be able to report to you significant progress in the acceptance of AVCS by the World's commercial ship owners.

This time last year, I wrote about the great change that would be taking place in the culture of Taunton as we addressed our digital future. Project Amber is designed both to reshape the UKHO, and to bring in the new skills we need to deliver success in the digital world.

Finally, the coming year will see a full appraisal of plans for our proposed new building in Taunton. This is an exciting project, which would transform the working environment for all of our staff

A period of rapid change of the kind that UKHO is now going through is not easy for a proud and diligent workforce like that at UKHO. I should like to pay tribute to all our staff both for their continuing hard work, and for the very positive reaction that they have had to the change agenda which has been driven so hard over the last eighteen months.



A handwritten signature in black ink, which appears to read 'David Palmer'.

David Palmer
Chairman

FOREWORD BY THE CHIEF EXECUTIVE

In last year's statement I opened with the line 'UKHO is a remarkable organisation' and I still firmly believe this is true. Over the past year the UKHO has faced some of its toughest challenges yet, and has met, tackled and overcome them. The Royal Navy remains our principle customer and we continue to support the Maritime and Coastguard Agency's (MCA) Safety of Life at Sea (SOLAS) obligations to provide navigational products and services. However in addition this year, we have developed the UKHO's new flagship digital product, the Admiralty Digital Vector Chart Service (AVCS).

To launch AVCS has meant developing an integrated global set of electronic navigational charts (ENCs) schemed in folios along all the major shipping routes and covering the world's top ports. To deliver this service, we have had to build the ordering, flexible licensing and updating services to supply the 21st century mariner to the standards expected. We have also had to cooperate with other national hydrographic offices to provide the coverage and the overall consistency expected by the mariner.

Whilst looking outwards to fulfil what our customers are asking for, we have reviewed the size and the skills needed within our organisation to achieve this. This has meant a full and thorough review of posts and work undertaken. Consultation with Trade Unions has and will continue to take place in accordance with the principles laid down for the Civil Service and MoD. Initial findings are that there will be reductions in staff numbers and that some new skills will be needed: this will be achieved either through developing existing staff or, where necessary, recruiting new. At the end of this process, UKHO will be more efficient and have the skills base needed to take forward digital developments.

Last year, I reported that Derek Twigg, the Under Secretary of State and the Minister responsible for the UKHO ordered that a study be carried out to investigate the optimum trading status to secure the UKHO a healthy and viable future. The study reported in December and the outcome was the retention of the UKHO's current Trading Fund status. In retaining our Trading Fund status we will leverage more efficiently the skills and abilities of our subsidiary companies under Admiralty Holdings Ltd, and will seek to build strategic partnerships in order to access technology and capability where it does not exist internally.

The Productions System Programme, approved in 2004 by the then Minister, has been reviewed together with the future requirements from production systems and a revised Production Systems Delivery Programme (PSDP) within the context of a reorganised Operations Development area in Operations and Production Division initiated. Control of this programme together with other projects is to be managed through a revamped programme management office. I am satisfied that this will deliver projects/programmes to time and to budget and will give the level of reassurance required by both our Board and the Minister.

With regards to Key targets, 2008 has been a successful year. We have now overcome the teething errors experienced during the introduction of new technology last year, and are consistently achieving Key Target 1-Safety. Key Target 2-Delivery of Defence Programme, has been consistently achieved and the new Customer Supplier Agreement was signed by 2nd PUS Sir Ian Andrews CBE TD and myself in March.

Financially, we have had a successful year. Full details are available later in the report but the highlights are - turnover increased by 11.7% to £94.3m, our cost base increased by 11.3%, much of this growth was fuelled by our continuing investment in trainee compilers to meet planned future retirements. This gave us a profit on ordinary activities of £7.9m, which after the provision for Project Amber redundancy costs gave us a Net Profit of £0.6m. A dividend of £4.9m has been provided which, together with a £3m special dividend paid during the year, brings the total to £54.9m since the Trading Fund was formed in 1996.

We will continue to pursue UKHO's commitment to safety and produce the products the navigator seeks from us, backed by the commitment of the team here at Taunton. We will be building and improving AVCS throughout the coming year, as we release further value added services to the mariner. I look forward to building on the achievements of this year.



A handwritten signature in black ink, appearing to read 'M. S. Robinson', written in a cursive style.

Mike Robinson
Chief Executive

VISION, MISSION AND OBJECTIVES

The UKHO's vision is to remain the world leader in the supply of marine navigational information and services.

Mission

To meet national, defence and civil requirements for navigational and other hydrographic information in the most efficient manner.

Objectives

The UKHO has agreed with its Owner, top-level objectives relating to:

- **Objective 1 – Operational Support to Defence Customers**
The UKHO provides value to Defence by delivering the Hydrographic services which enable the Royal Navy and other Defence customers to meet current and potential future operational tasks in times of peace, crisis or war.
- **Objective 2 – Support to “Safety of Life at Sea” Treaty Obligations**
The UKHO provides wider value to the government, in support of the Maritime and Coastguard Agency, which is the responsible authority for the UK's Treaty obligations under the United Nations SOLAS Convention.
- **Objective 3 – Developing Profitable Business Streams**
Subject to maintaining the capability to deliver against the two objectives above, the UKHO is required to extract maximum value from its assets and capabilities by generating profitable revenue for customers outside Government.
- **Objective 4 – Organisational Excellence**
In delivering the above objectives, the Government requires the UKHO to demonstrate organisational excellence.

MANAGEMENT COMMENTARY

History

The United Kingdom Hydrographic Office (UKHO) was established in 1795 and has since developed into a world authority and provider of data essential to safe marine navigation. The UKHO became an Executive Agency in 1990 and has operated as a Trading Fund within the UK Ministry of Defence (MoD) since 1 April 1996.

Description of the business

The UKHO's strength traditionally lies in the universally trusted portfolio of paper charts and publications and the unrivalled coverage under the Admiralty brand. The Admiralty portfolio includes over 3,200 Standard Navigational Charts, 159 Navigational Publications and a growing number of digital products and services: namely Electronic Navigational Chart (ENCs), the Admiralty Raster Chart Service and the Admiralty Vector Chart Service, launched in April 2008.

The UKHO uses data from Royal Navy and Maritime and Coastguard Agency (MCA) surveys, from foreign hydrographic offices and from other sources, such as ports and shipping, around the world. All of these organisations are key stakeholders of the organisation.

Whilst the UK Defence and merchant marine markets represent the core business the UKHO continues to operate in a number of related market segments, namely Leisure, Hydrographic Expertise, Law of the Sea consultancy services and Training.

The MoD is the UKHO's most important single customer – receiving not only charts and publications but also a number of specialist services.

The UKHO also discharges the UK's Safety of Life at Sea (SOLAS) charting obligations on behalf of the MCA. It also provides a round-the-clock Radio Navigational Warnings service. As the Government's centre of expertise in hydrographic matters, the UKHO provides advice on policy formulation and represents the UK at international fora, including the International Hydrographic Organization (IHO).

The UKHO's commercial sales are principally made through independent distributors across the world, which service the merchant shipping market.

The regulatory and market environment

The UKHO's major target sector comprises vessels operating internationally which are subject to inspection for compliance with SOLAS chapter V, covering navigational regulations. The current regulatory regime mandates the use of official (carriage compliant) charts and publications for primary navigation, with few exceptions. Official information is defined as that published by a government hydrographic office (such as the UKHO) or other relevant government institution. This market will eventually move to digital products, although the speed of transition is not yet clear and will depend, in part, on the extent to which it becomes mandatory for vessels to use digital charts. Such regulation is likely to be introduced gradually over several years and to be a phased introduction in terms of both type of vessel and geographic area. The Defence customer has already adopted digital charting as it's main means of navigation.

Strategies

The use of technology is increasingly integral to both core internal processes and our product offering and methods of delivery. The UKHO's digital vision articulates the detailed market assumptions, specifically in regard to future products and services and the supporting infrastructure requirements.

A significant facilitator of all future products will be the development of improved production systems. The Production Systems Delivery Programme (which was formerly the Production Systems Programme) continues to progress with the bedding in of the Source Data Receipt and Assessment module and the development and implementation of the integrated hydrographic database and associated production tools. In addition, successful implementation of process improvement initiatives will ensure effective and efficient operations.

The structural Transformation Programme seeks to manage a reduction in overhead costs and to reshape the organisation to meet future business needs.

Risk Management

The UKHO faces a wide range of risks which arise from both external influences and internal developments. It seeks to reduce both the probability of adverse events occurring and the impact should they happen.

The safety of vessels and crews, who rely on the UKHO's products, is vital and emphasis continues to be placed on maintaining the quality and the timely dissemination of existing and new products and services.

Strategy development necessitates continuous monitoring of the status of the risks faced and their mitigation actions. A wholesale review of business risks was undertaken during the latter half of 2007/08. This review resulted in some new key areas of corporate risk being identified and strategies for mitigation of these risks being developed. Risks associated with the transformation of the business in an increasingly competitive environment include: establishing new capabilities and skills; developing new products and services within relatively tight timescales; the quality of some foreign government ENC's and the assumptions made regarding the timing of mandation.

The UKHO relies heavily on Information Systems. Information security is therefore critical to our operations. Information security policy and controls are in place to protect the confidentiality, integrity and availability of the systems and data. These controls have been recently reviewed and updated in order to ensure that we conform to the latest Cabinet Office and MoD instructions and mandatory safeguards regarding personal and personnel data. The UKHO will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continuous improvement of its systems.

Report of Protected Personal Data Related Incidents

The Government has made a commitment to enhance transparency with Parliament and the public about action to safeguard information and the results of that action. As part of this process Departments and their Agencies are required to publish details of incidents that have resulted in the unauthorised disclosure of personal data in their annual reports.

An incident is defined as any circumstance (loss, unauthorised disclosure, insecure disposal) of inadequately protected electronic equipment, devices or paper documents from either secure Government premises or outside secured Government premises; insecure disposal of inadequately protected electronic equipment, devices or paper documents; unauthorised disclosure or any other situation.

Protected data is defined as data that meets the definition of the minimum scope of protected personal data, or data that the UKHO considers should receive a similar level of protection because it would put those affected at significant risk of harm or distress.

Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

During 2007/08 the UKHO is unaware of any incidents that have resulted in the unauthorised disclosure of protected personal data. We are similarly unaware of any such incidents that have arisen during the period 2004/05 to 2006/07.

Resources

To meet the challenges, the UKHO is committed to ensuring that people are appropriately trained and that they have the right systems, tools and processes to support delivery. The application of core cartographic and compilation skills is critical to achieving the vision.

By investing in new technology, automating and streamlining processes and using people more effectively the UKHO will become more dynamic and agile, without compromising the safety and quality of its products.

The Site Strategy programme, for the delivery of new headquarters and manufacturing facilities, offers a unique opportunity to revolutionise UKHO working practices.

Admiralty Holdings Limited (AHL) is a private limited company, managed by the UKHO on behalf of the Secretary of State for Defence, who owns 100% of the company. It was established for the purpose of exploiting the commercial activities of the UKHO through greater private sector involvement. SevenCs, GmbH, which produces key software for the display of ENC's on board ship, is uniquely placed to support the UKHO's digital vision by providing access to new technologies. It was acquired by AHL in 2005. SeaZone Solutions Limited, which also became a wholly-owned subsidiary of AHL in 2005, supports the exploitation of data for non-navigational uses.

Development and performance in 2007/08; trends and factors

A Status Review, conducted in 2007 on behalf of the Owner, to establish the optimum structure and ownership arrangements, concluded that the UKHO should retain its current trading fund status, but focusing further on leveraging the benefits of strategic relationships with other organisations.

During 2007/08, the sales of paper charts and publications continued to grow resulting in; increases of 10.1% and 8.8% respectively compared to the previous year. Digital product sales have increased by 38.3%.

The UKHO is moving apace to establish a strong position in the digital market through the launch of the Admiralty Vector Chart Service; providing the same level of assurance with our digital products as we currently do with our paper products, the development of various “value added” products, services and supporting infrastructure, and the full implementation of the Production Systems Delivery Programme.

Work continues to safeguard data sources and to assess foreign government ENC data. Major steps forward have been taken with the signing of new agreements with other hydrographic offices for the wider use of their data.

Financial Performance

Turnover increased in year by 11.6% to £94.3m. The growth in UKHO sales continued to be mostly generated from commercial customers, a rise of £9.0m to £78.2m. Sales to the MoD were up £0.1m to £11.8m. MoD sales as a percentage of total UKHO turnover represented 13.1% of the annual turnover.

Our accounting policy on revenue recognition has been changed during 2007/08 in order that sales of digital products are realised equally over the licence period rather than being fully recognised at the point of granting the licence. This change in policy also applies to the related data costs. This has led to a prior year adjustment, referred to in note 3 of the Accounts.

Expenditure in 2007/08, excluding depreciation, was £81.8m, an increase of £8.4m (11.4%) compared with 2006/07. Employee costs increased by £4.8m as a direct consequence of increased average employee numbers from 1062 to 1111. In UKHO, the main employee growth was a continuation of the policy to recruit trainee compilers to meet planned future retirements. R&D expenditure was similar to last year's high figure at £4.6m, principally due to continued work on the Production Systems Programme. The balance of extra costs was mainly due to increased direct cost of sales.

Operating cashflow generated in 2007/08 was £16.5m, an increase of £3.5m compared with 2006/07. Debtors at the year end of £18.4m compares with £19.9m in the previous year. Creditors and accruals were up £2.5m compared with 2006/07 mostly due to accrued stage payments for PSP and the new printing press. Capital expenditure in 2007/08 was £5.8m, slightly above that of 2006/07 again due to continued investment in PSP and the press.

Cash balances and short-term investments totalled £27.8m at the end of March 2008, an increase of £3.0m. Cash is expected to reduce over the next two years as the major change programme projects and associated expenditure reach their peak.

Dividends and capital

Dividends have been paid to the MoD every year since 1998/99 and in the current year a £3m special dividend was paid and a further £4.9m provided, bringing the total to £54.9m for all years to date.

The level of Government Funds decreased in 2007/08 by £6.4m to £55.1m.

KEY PERFORMANCE TARGETS

RESULTS 2007/08

In assessing the performance of the UKHO, the Owner (advised by the Owner's Council) uses a number of key targets. The results against these key targets are as follows

Key target 1

Whilst aiming for 100, to achieve a Safety Index of 95 or higher.

Status: Achieved

Performance		2007/08	2006/07
Safety Index	Target	95.0	95.0
	Actual	99.2	92.0

The Safety Index is a composite indicator, which measures the timeliness and quality of the data handling processes, together with the safety risk associated with the worldwide chart series.

We have achieved Key Target 1 with a Safety Index Score of 99.2, which is well above our target Safety Index Score of 95; this represents a significant improvement on the last year's performance and demonstrates that automated Source Data Receipt and Assessment systems are integrating well into our production processes.

Operation of the index during 2006/07 had revealed some weaknesses, prompting a fundamental examination of the safety index concentrating on potential UKHO causes of accidents, namely errors and delays. The revised Safety Index for 2007/08 measured the timeliness of issuing navigational significant information and the error rate associated with the UKHO process.

Key target 2

To achieve an Index rating of 95 or higher for the Defence Programme and to establish a Customer Supplier Agreement and Service Delivery Annexes by 31 March 2008, with the assistance of the Defence customer.

Status: Achieved

Performance		2007/08	2006/07
Index rating	Target	95.0	95.0
	Actual	97.7	97.0

This target addresses financial, quality and timeliness performance against the endorsed Defence Programme. It also includes quality of service and ensures that the UKHO will take proper action to satisfy all unplanned, short notice operational demands. Timescales for such work are agreed with customers before work commences.

Performance averaged 97.7 over the year.

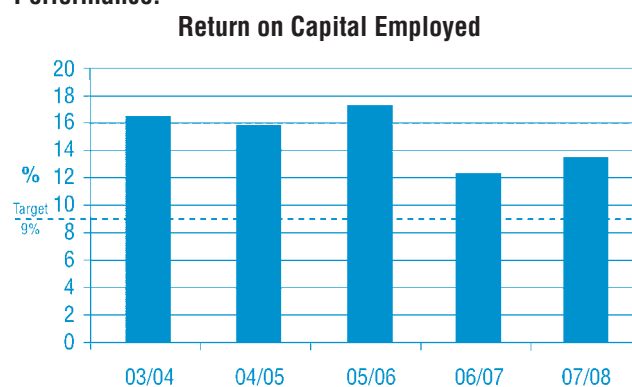
The new Customer Supplier Agreement with MoD was signed by 2nd PUS on 28th March 2008; this will provide a more output orientated focus and increased transparency and efficiency in the relationship with the Defence customer.

Key target 3

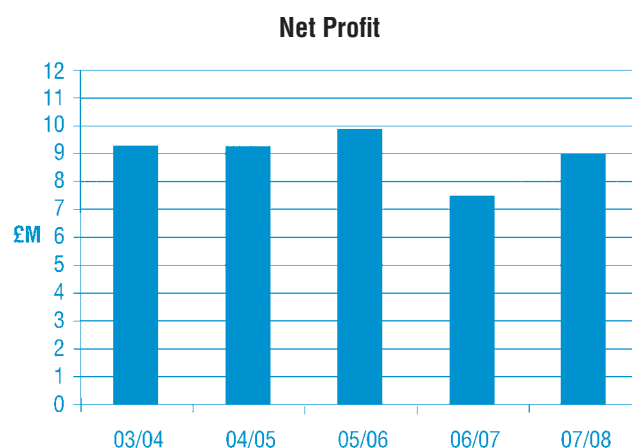
To achieve a Return on Capital Employed of 9% on a 3 year rolling basis and to earn Operating Net Profit in line with the Corporate Plan of £6.7M in the financial year 2007/08.

Status: Achieved

Performance:



The in-year Return on Capital Employed was 13.5%; this is before exceptional items. The 3-year rolling average of 14.8% was above the target of 9%.



The Net Operating Profit for the year of £8.4M exceeded target. Sales were strong for the year, with both paper and digital sales exceeding the budget.

Key target 4

To achieve an overall efficiency performance improvement of 3% year on year.

Status: Achieved

Performance:		2007/08
Efficiency	Target	92.6
	Actual	99.3

Efficiency, for the purpose of this target, is a measure of total revenue (removing any product price rises) in year, per the average number of personnel. The percentage improvement year-on-year represents the measure of efficiency improvement. The performance this year was 99.3, compared to 89.7 in 2006/07.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL ON THE UKHO'S STATEMENT OF PERFORMANCE AGAINST 2007/08 KEY PERFORMANCE TARGETS

The Chief Executive of the UKHO has asked me to validate performance against the 2007/08 Key Targets.

Respective responsibility of UKHO, the Chief Executive and the Auditor

UKHO and the Chief Executive are responsible for the measurement and reporting of the Trading Fund's performance against the Key Targets.

I examine and conclude on whether the Trading Fund has:

- provided full details of performance against all the UKHO's Key Targets;
- ensured that all performance information is reliable and fairly presented.

Basis of conclusion

The validation includes an examination, on a test basis, of evidence relevant to the amounts and disclosures of the outturns and achievements included within the Statement. It also includes an assessment of the significant judgements and methodologies made by the UKHO and the Chief Executive in the Statement's preparation.

Conclusion

The Statement of Performance above includes all the UKHO's 2007/08 Key Targets and it reliably and fairly presents the Agency's performance against the Key Targets. I have no observations to make on this Statement.

T J Burr
Comptroller and
Auditor General
18th June 2008

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Victoria
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KEY PERFORMANCE TARGETS FOR 2008/09

The Key Targets remain aligned with our Top Level Objectives. Where changes have been made, these are indicated, below:

Key target 1 – Safety

Whilst aiming for 100, to achieve a Safety Index exceeding 95.

Change from prior year to cover digital products.

Key target 2 – Defence

To deliver the Defence Programme achieving an index rating of 95 or higher whilst transitioning to a multi-year Service Definition Annex incorporating incentivised pricing.

Change from prior year to reflect the successful introduction of the Customer Supplier Agreement.

Key target 3 – Finance

To achieve a Return on Capital Employed of 9% on a 3 year rolling basis.

Change from prior year the removal of the Operating Net Profit target, although the requirement to break-even taking one year with another and to achieve planned results remains a key element of internal Business Plans.

Key target 4 – Efficiency

To achieve an overall efficiency performance improvement of 3% year on year over and above any efficiency achieved through Project Amber.

GOVERNANCE AND STRUCTURE

Statutory Background

The UKHO operates as a Trading Fund Executive Agency within the Ministry of Defence in accordance with Statutory Instrument SI 1996/73. The accounts have been prepared in accordance with the Direction given by HM Treasury on 11th December 2007 in pursuance of section 4(6)(a) of the Government Trading Funds Act 1973.

The accounts are consolidated, incorporating those of the trading fund and those of AHL including all of the AHL subsidiary undertakings. All the entities are consolidated using the acquisition method and their results are incorporated from the date that control passes. All accounts are drawn up to 31 March each year.

AHL was incorporated during 2002/2003 as a vehicle for commercial exploitation and collaboration. All the issued share capital of AHL is held in the name of the Secretary of State for Defence who has delegated the management of operations to the UKHO Chief Executive.

AHL acquired full control of SeaZone (one of its initial joint ventures) with effect from 1 September 2005. Admiralty Deutschland GmbH was established during 2005 and acquired SevenCs with effect from 1 December 2005. AHL continued to hold all shares in these subsidiaries having sold its minority share holding in Admiralty Coastal Surveys on 30 May 2007.

Under the guidance provided in Financial Reporting Standard No 2: Accounting for Subsidiary Undertakings, the UKHO has prepared consolidated accounts on the basis that, despite not having a direct investment interest in AHL, the UKHO Board is capable of exercising, and exercises, dominant influence over the activities and day-to-day operations of the corporate group through majority control of the board of directors of AHL and its subsidiary undertakings.

Financial Structure

Investment in the UKHO has been provided by the Secretary of State for Defence by way of Public Dividend Capital, which is the equivalent of equity funds on which dividends are paid and an originating loan repayable over 25 years at a fixed rate of 8.375%. Other financial instruments include cash and liquid resources, and various items such as trade debtors, trade creditors etc. that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the UKHO's operations.

The UKHO does not enter into derivative transactions such as interest rate swaps or forward foreign currency exchange contracts.

The UKHO has no material risks arising from its financial instruments that arise in the course of normal business operational activities. Liquidity is strong. Its loan capital is repayable at a fixed rate of interest. It has made a £5.1M investment, comprising equity capital, in the acquisition of SevenCs of Hamburg, Germany. This is not considered to represent a significant foreign currency exposure risk. On 30 May 2007 AHL sold its 49% in ACSAB, a non-core Swedish joint venture. The majority of sales are made in sterling thus minimising the risk from foreign currency exchange fluctuations.

Governance

The UKHO governance structure is similar to all other MoD Trading Funds. Top-level strategy and plans are subject to Ministerial approval by the Parliamentary Under Secretary of State for Defence, as the Minister responsible for the Hydrographic Office Trading Fund. The Minister is advised by an Owner's Council, which also meets to monitor progress against approved plans and targets and recommend approval of specific major investments.

Plans are formulated by a Board comprising UKHO executives and non-executives. This Board also routinely monitors progress and endorses investment business cases. The same governance arrangements apply to AHL, which (for legal reasons) has a separate Board structure, but many members are the same.

During the year, membership of the UKHO Board was increased by the appointment of an additional non-executive director experienced in Information Technology and its application to business change.

Changes were also made to the governance of AHL in line with agreed MoD policy. The AHL Board has an independent Chairman; there is also independent representation on the boards of individual companies.

Membership of the various governance structures is as follows:

UKHO Owner's Council

Derek Twigg MP – Chairman

Parliamentary Under Secretary of State for Defence and Minister for Veterans

David Palmer CBE

Chairman of the UKHO Board

Mike Robinson

Chief Executive

Trevor Woolley

MoD Finance Director

Tim Johnson

MoD DBD

(to 15 May 2007)

Huw Walters

MoD DBD

(from 16 May 2007)

Vice Admiral R P Boissier CB

Deputy Commander in Chief Fleet

Major General John Rose MBE

Director General Intelligence Collection

Peter Schofield

Director, Shareholder Executive

(to 29 Feb 2008)

Peter Short

Director, Shareholder Executive

(from 1 Mar 2008)

Paul Jackson

Director Maritime and Coastguard Agency

Michael Everard CBE

External Advisor

Business/Shipping

UKHO Board

David Palmer CBE

Chairman

Mike Robinson

Chief Executive

Barry Wootton

Non-Executive Director

Sandra Rogers

Non-Executive Director

Philip Langsdale

Non-Executive Director

(from 11 Jul 2007)

Captain Ian Turner OBE RN

Captain HM and Hydrographer of the Navy

Non-Executive Director

(to 31 Jul 2007)

Captain Bob Stewart RN

Captain HM and Hydrographer of the Navy

Non-Executive Director

(from 1 Aug 2007)

Rear Admiral Ian Moncrieff

UKHO National Hydrographer and

Deputy Chief Executive –Hydrography

Michael Cauter

(Interim) Head of Finance, Strategy and Technology and Deputy Chief Executive – Corporate

(made permanent from 25 Jun 2007 and appointed as Chief Operating Officer and Deputy Chief Executive-Corporate from 9 Nov 2007)

Peter Cox

Head of Operations and Production

(to 30 Apr 2007)

David Loosley

Head of Operations and Production

(from 16 Apr 2007)

Chris Reynolds

(Interim) Head of Sales, Marketing and Customer Services

(to 27 Jul 2007)

John Humphrey

Head of Sales, Marketing & Customer Services

(from 2 Jul 2007 to 30 Apr 2008)

Mike Hollin MBE

Head of Change, Development and Human Resources

(to 6 Sep 2007)

Richard Brooks

Head of Transformation, Change and Human Resources
(from 12 Nov 2007)

Tim Johnson

MoD DBD
(to 15 May 2007)

Huw Walters

MoD DBD
(from 16 May 2007)

In attendance:

Gert Büttgenbach

MD of Seven Cs

Philippa Childs

Trade Union Representative

In attendance

Huw Walters

MoD DBD
(from 16 May 2007)

ACSAB

Mike Robinson

(to 29 May 2007)

N.B. Captain V Nail RN UKHO, was also a member of the ACSAB Board to 29 May 2007 although he is not a member of the UKHO Board.

SeaZone Barry Wootton

John Humphrey

(from 9 August 2007 to 30 Apr 2008)

Michael Cauter was appointed as Board Secretary from 1 Sep 2007.

Robert Moss, UKHO, was also a member of the SeaZone Board until 9 Aug 2007 although he is not a member of the UKHO Board.

UKHO Board Participation as Directors of AHL and Subsidiaries

AHL

David Palmer CBE, Chairman

Mike Robinson

Barry Wootton

Sandra Rogers

Captain Ian Turner OBE RN

(to 31 Aug 2007)

Captain Bob Stewart RN

(from 1 Sep 2007)

Tim Johnson

MoD DBD
(to 15 May 2007)

Rear Admiral Ian Moncrieff

Michael Cauter

(from 10 Jul 2007)

Philip Langsdale

(from 11 Jul 2007)

David Loosley

(from 24 Jul 2007)

John Humphrey

(from 24 Jul 2007)

Richard Brooks

(from 12 Nov 2007)

Details of Company Directorships and significant interest of Board Members

None of the existing or past board members has directorships that are in conflict with their management responsibilities of the UKHO or AHL. Michael Cauter has been employed by the UKHO on secondment from KPMG. However, he became a permanent member of UKHO staff from 25 June 2007.

International Financial Reporting Standards

The 2007 Budget announced that; from 2008/09 the accounts of central government departments and entities in the wider public sector were to be produced using International reporting standards (IFRS). Firm plans had been established by the UKHO to meet the requirement. The subsequent announcement in the 2008 Budget that the implementation had been deferred to 2009/10 means that the UKHO will be well placed to effect the change.

Audit Committee

The Audit Committee provides the Chief Executive with guidance and independent assurance on the effectiveness of the system of internal control. Meeting four times a year, its membership consists of the three non-executive directors, one of whom chairs the committee, and other senior executives depending on topic.

Auditor

The accounts are audited by the Comptroller and Auditor General in accordance with section 4(6) of the Government Trading Funds Act 1973. The cost was £79k for performance of the statutory audit and £4k for validation of key targets. No other audit services were provided by the Comptroller and Auditor General during the financial year. All audit findings are reviewed by the Audit Committee.

Statement on Disclosure to Auditors

So far as I am aware, there is no relevant audit information of which the UKHO's auditors are unaware, and I have taken all appropriate steps to make myself aware of any relevant audit information and to establish that the UKHO's auditors are aware of that information.



Mike Robinson

Chief Executive

11 June 2008

REMUNERATION REPORT

Remuneration Policy

Mike Robinson, Chief Executive was appointed on 3 July 2006 on an initial three-year fixed-term contract. This has been extended by a further two years to 2 July 2011.

Michael Cauter was appointed interim Head of Finance Strategy and Technology and Deputy Chief Executive (Corporate) on 5 December 2006 on secondment from the Department of Trade & Industry where he was employed under contract from KPMG. He was confirmed in that capacity as a permanent member of staff from 25 June 2007. He is employed on an initial three year fixed-term contract with the option for this to be extended by mutual agreement. He assumed the role of Chief Operating Officer and Deputy Chief Executive (Corporate) from 9 November 2007.

David Loosley was appointed Head of Operations and Production on 16 April 2007. He is employed on an initial three year fixed-term contract with the option for this to be extended by mutual agreement.

Mike Hollin, MBE, was appointed Head of Change Development & Human Resources on 1 November 2006 and was confirmed in that capacity as a permanent member of staff from 29 March 2007 following his successful application in an open recruitment competition. He resigned on 6 September 2007. No compensation payments were paid.

Chris Reynolds was appointed as Interim Head of Sales Marketing & Customer Services on 15 February 2007 on a contract for services with The Reynolds Corporation Limited. This ended on 27 July 2007.

John Humphrey, was appointed as Head of Sales, Marketing and Customer Service on 2 July 2007 and resigned on 30 April 2008 and joined the Board of Seven Cs.

Richard Brooks was appointed as Head of Transformation Change and Human Resources with effect from 12 November 2007. He was transferred from the MoD and is a member of the senior civil service.

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at www.ome.uk.com.

All other employees have their remuneration determined by a process consistent with MoD and HM Treasury regulations. The Chief Executive has delegated powers for the setting of terms and conditions of employment, including pay, for all UKHO employees. This delegation requires him to consult with the MoD and HM Treasury before agreeing any

changes to pay and grading systems and arrangements. This is achieved through the Pay Remit process whereby the UKHO Pay Strategy is submitted for MoD and HM Treasury approval before negotiation with employee representatives. The outcome of negotiations is reported back to HM Treasury through the annual outturn statement. The UKHO Pay strategy is approved by the Chief Executive to achieve the Corporate business strategy having due regard to the financial success of the UKHO, current Government and MoD policies and targets, and public sector pay guidance.

Performance pay is dependent firstly on the UKHO meeting agreed Key Targets at a corporate level and then on individuals meeting agreed targets cascaded from the Corporate Plan. Achievement is determined by individual assessment within the line management chain audited by a Moderation Panel, which reviews application of reporting standards and approves exceptional (enhanced) bonus awards across the business. No external comparisons are made. For 2007/08, performance-related pay amounted to just over 3.8% of salary (3.1% in 2006/07).

All pay awards are subject to satisfactory performance. This includes consolidated base pay and non-consolidated bonuses.

Service contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated, the employees covered by this report 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.

Further information about the work of the Civil Service Commissioners can be found at: www.civilservicecommissioners.gov.uk.

The duration of contracts, notice periods and termination payments will be determined by the Chief Executive with the exception of the appointment the non-executive directors. The durations of Fixed-Term Appointments are determined by UKHO line managers. Standard notice periods apply and there are no terminal payment clauses.

Remuneration Committee

The Remuneration Committee works within MoD and other HMG guidelines to advise the Chief Executive and UKHO Board on remuneration and reward for the Board itself, the Executive Directors and the next most senior UKHO staff. The Committee comprises;

Sandra Rogers

Chair

Non executive director

Barry Wooton

Non Executive Director

Tim Johnson

MoD DBD

(to 15 May 2007)

Huw Walters

MoD DBD

(from 16 May 2007)

Invited UKHO attendees

Richard Brookes

Ellen Davis

The Committee meets at least twice a year and must have a quorum of two. The underlying principle is that members may not recommend or approve their own reward package.

In the case of members of the Senior Civil Service, the committee recommends the basis of any awards to the appropriate Reporting Officers to provide consistency with other UKHO Board members.

For the selected staff, the committee will:

- recommend and regularly review performance schemes especially sales related incentives
- review and endorse objectives
- consider individual performance and recommend related bonus payments
- agree the reward parameters applicable to or any significant revision of existing senior posts
- consider and advise on any other remuneration and conditions of employment issues

The Committee has responsibility for the selection, appointment, terms of reference and dealings with any remuneration consultants who advise the Committee.

The Chairman of the Committee reports to the Board on its proceedings following each meeting.

Salary and pension entitlements

(This section has been subject to audit)

The following tables provide details of the remuneration and pension interests of the executive members of the Hydrographic Office Board. Details are based on actual payments made by the United Kingdom Hydrographic Office and thus recorded in these accounts.

Salary

'Salary' includes gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office 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 would cover any benefits provided by UKHO, which are treated by the Inland Revenue as a taxable emolument. There were no benefits in kind.

Details are as follows:-

Remuneration Details

	Notes	2007-08 Salary Band £K	2006-07 Salary Band £K
Mike Robinson	1	210-215	115-120 (155-160 full year equivalent)
Michael Cauter	2	120-125	45-50 (135-140 full year equivalent)
Rear Admiral Ian Moncrieff	3	95-100	30-35 (90-95 full year equivalent)
David Loosley (from 16 Apr 2007)	4	95-100 (95-100 full year equivalent)	-
Richard Brooks (from 12 Nov 2007)		25-30 (65-70 full year equivalent)	-
John Humphrey (from 2 Jul 2007)	4	70-75 (95-100 full year equivalent)	-
Chris Reynolds (to 27 Jul 2007)	5	55-60 (175-180 full year equivalent)	25-30 (175-180 full year equivalent)
Mike Hollin, MBE (from 6 Sep 2007)		40-45 (95-100 full year equivalent)	150-155 (160-165 full year equivalent)
Dr Peter Cox (to 30 Apr 2007)		5-10 (85-90 full year equivalent)	65-70

Notes

1. The 2007/08 salary total for Mike Robinson includes payment of his bonus for 2006/07. A sum up to 40% of annual salary is contractually payable subject to meeting required performance targets.
2. Michael Cauter was employed on secondment from the Department of Trade and Industry on contract rates until 25 June 2007 when he became a UKHO employee. His salary total for 2007/08 reflects the aggregation of actual contract rates and salary payments; however, the latter excludes provision for bonus. A sum up to 25% of annual salary is contractually payable in respect of 2007/08 subject to meeting required performance targets.
3. Rear Admiral Moncrieff is a serving Royal Navy Officer on loan to the UKHO. Whilst MoD charges for his services are based on loan capitation rates, the figures above reflect his actual salary.
4. Neither the salary nor the equivalent annual salaries for David Loosley or John Humphrey include any provision for bonus. A sum up to 20% of annual salary is contractually payable in respect of 2007/08 subject to meeting required performance targets.
5. Chris Reynolds was employed on a contract for services with the Reynolds Corporation Ltd.

Pension Benefits

(This section has been subject to audit)

	Accrued benefits*		Real increase in benefits		CETV at 31/03/08	CETV at 31/03/07 Note e	CETV Real increase
	Pension Note a	Lump sum Note a	Pension Note a	Lump sum Note a			
	£K	£K	£K	£K	£K	£K	£K
Mike Robinson	0-5 Note b	Note c	0-2.5 Note b	Note c	43	16	19
Michael Cauter (from 25 Jun 2007)	0-5 Note b	Note c	0-2.5 Note b	Note c	16	0	13
David Loosley (from 16 Apr 2007)	0-5 Note b	Note c	0-2.5 Note b	Note c	18	0	15
Richard Brooks (from 12 Nov 2007)	20-25	70-75	0-2.5	0-2.5	385	334	7
John Humphrey (from 2 Jul 2007)	0-5 Note b	Note c	0-2.5 Note b	Note c	22	0	14
Mike Hollin (to 6 Sep 2007)	0-5 Note b	Note c	0-2.5 Note b	Note c	26	0	24
Dr Peter Cox (from 30 Apr 2007)	35-40	Note c	(0-2.5)	Note c	814	830	-38

* as at 31st March 2008

Notes

- Pension and lump sums are as at pension age.
- Notional pension figures – member does not have two years service to qualify for a pension.
- No automatic lump sum payable as member is in the Premium scheme.
- None of the above are members of partnership pension schemes.
- Due to certain factors being incorrect in last year's CETV calculation there might be a slight difference between the final period CETV for 2006/07 and the start period CETV for 2007/08.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a “final salary” scheme (classic, premium, or classic plus); or a “whole career” scheme (nuvos). 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 and nuvos are increased annually in line with changes in the Retail Prices Index. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality ‘money purchase’ stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. 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’ 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 in respect of service before 1 October 2002 calculated broadly in the same way as in classic and benefits for service from October 2002 calculated 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 RPI. In all cases members may opt to give up (commute) pension for 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 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. 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 0.8% 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 and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found on their website at: www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

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 individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Real increase in CETV

This reflects the increase in CETV effectively 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.

Fees Paid to Non-Executive Directors

(This section has been subject to audit)

Non-executive directors are not appointed as Civil Servants. Contracts may be terminated at one month's notice by either party or on dissolution of the Board unless found guilty of gross misconduct when termination will be immediate. They may be exceptionally extended by mutual agreement at the end of the period normally for one further period only. There are no compensation entitlements for early termination. Current contractual arrangements applying to the non-executive directors as at 31 March 2008 were as follows:

- a. David Palmer CBE was appointed Chairman of the Hydrographic Board on a three-year contract commencing 6 June 2005. This has been extended for a further three years from 6 June 2008.
- b. Barry Wootton was appointed on a three-year contract commencing 3 July 2006.
- c. Sandra Rogers was appointed on a three-year contract commencing 15 July 2005. This has been extended to 9 July 2010.
- d. Philip Langsdale was appointed on a three year contract commencing 11 July 2007.
- e. Captain Bob Stewart RN was appointed with effect from 1 August 2007 in his capacity as Hydrographer of the Navy and will retain his position whilst in that post. He is a serving Naval Officer and as such no compensation would be payable in the event that his appointment as a non-executive director was terminated prematurely. He succeeded Captain Ian Turner, OBE, RN.

Fees paid to non-executive directors were as follows:

		2007-08	2006-07	Partnership Pension
	Notes	£K	£K	£K
David Palmer CBE		35-40	35-40	-
Sandra Rogers	1	15-20	15-20	3.1
Barry Wootton		15-20	10-15 (15-20 full year equivalent)	-
Phillip Langsdale (from 11 Jul 2007)		10-15 (15-20 full year equivalent)	-	-
Captain Ian Turner OBE RN (to 31 Jul 2007)	2	-	-	-
Captain Bob Stewart RN (to 1 Aug 2007)	2	-	-	-

Notes

1. In this instance, UKHO contributes to a partnership pension by the amount shown
2. Both Captain Ian Turner OBE RN and his successor Captain Bob Stewart RN are serving Royal Navy Officers. Their appointment is made in conjunction with their responsibilities as Hydrographer of the Navy. They are not entitled to receive separate remuneration in undertaking these duties



Mike Robinson
Chief Executive
11 June 2008

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the UKHO's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me on my appointment by HM Treasury.

Each year I obtain approval from the responsible Minister for my Corporate Plan and financial projections covering a rolling five year period. The Minister reviews performance against the first year of the plan through the UKHO Owner's Council. Considerable effort has been engaged in the business planning process to address significant risks regarding the future financial viability of the UKHO.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of UKHO's policies, aims and objectives, to evaluate the likelihood of these risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control has been in place in the UKHO for the year ended 31st March 2008 and up to the date of approval of the annual report and accounts, accords with Treasury guidance. Management continue to review the system of internal control to ensure it is fit for purpose.

Capacity to handle risk

Corporate aims and objectives are agreed by the UKHO Board annually. They form the basis of a five-year corporate plan, which is endorsed by the UKHO Board and approved by the responsible Minister. Individual divisional risk-based plans underpin the corporate plan.

Members of the Executive Committee, and their senior managers provide written assurance at the end of the year that to the best of their knowledge, risks have been adequately identified and managed through the implementation of appropriate controls.

All employees have on-line access to guidance in the identification and mitigation of risk.

The risk and control framework

The most significant risk to the organisation is in the safety of our core products. Controls include:

- Prioritising of activity needed to update current products through the application of a Safety Index,
- Formal risk assessment of new products by the UKHO Product Safety Management Board,
- Regular review of the quality of professional standards by the Safety Of Navigation Assurance Committee, chaired by a non-executive director,
- Sample quality checks by the Charting Review and Standards branch.
- Head of profession focussed on maintaining key skills

Financial performance is controlled by cascading detailed plans supporting delivery of objectives articulated in the first year of the corporate plan. These form the basis of the two year Business Plan and the annual budget from which delegated authority is derived. They also demonstrate the linkage between detailed short-term financial plans and the UKHO's long-term risk-based financial objectives.

The UKHO Executive undertakes monthly reviews based on total financial performance against budgets and forecasts. Forecasts are in turn updated quarterly. I undertake formal quarterly performance reviews with members of the Executive Committee and agree changes with my Chief Operating Officer.

Management have scrutinised the assumptions underlying all the major programmes and projects to ensure that they continue to remain valid. All major programmes are subject to professional project management, investment appraisal, risk assessment and formal scrutiny by the UKHO Programme Review Board. A Programme Office has recently been established to further improve governance and to oversee the delivery of all programmes and projects across the UKHO.

The UKHO relies heavily on Information Systems. Information security is therefore critical to our operations. Information security policy and controls are in place to protect the confidentiality, integrity and availability of the systems and data. These controls have been recently reviewed and updated in order to ensure that we conform to Cabinet Office and MoD instructions and mandatory safeguards regarding personal and personnel data. I also submit an Annual Security Report to MoD which addresses wider security performance, including: personnel security, physical security and training.

The principles of ISO9001:2000 continue to be applied to our internal control framework, with focus on monitoring the effectiveness of controls measured and tested against business objectives rather than simply addressing compliance.

Some UKHO Board members are also members of the equivalent management boards of AHL and its subsidiaries. This, together with external audit reports, ensures effective controls equivalent to and consistent with those for UKHO.

UKHO Board members and members of my Executive Committee are also required to declare any personal interests that they have with current or potential UKHO customers or vendors. A register of interests has been established for this purpose with access provided to this by my Contracts and Finance teams, as well as UKHO Board and Executive Committee members.

Review of effectiveness

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

The review of the effectiveness of internal control is coordinated through the Audit Committee, which provides guidance and independent assurance. Meeting quarterly its membership consists of three non-executive directors. Executive managers attend as necessary with input from External and Internal Audit. A representative from Defence Internal Audit (DIA) attends to provide assurance to Permanent Under-Secretary of State (PUS) that adequate audit arrangements, compliant with Government Internal Audit Standards, are in place.

Internal Audit for 2007/08 was contracted out to PKF (UK) LLP, Chartered Accountants, who as part of their duties, carried out independent checks on the control process on my behalf. Operating to standards defined in the Government Internal Audit Standards they have carried out a programme of risk based audits. They submitted regular reports which include their independent opinion on the adequacy and effectiveness of the Agency's system of internal control together with recommendations for improvement which, when accepted by senior managers, form improvement actions. Outstanding improvement actions are reported to, and monitored by, the Executive Committee and are reviewed periodically by the Audit Committee and the UKHO Board.



Mike Robinson

Accounting Officer and Chief Executive
11 June 2008

POLICIES

Research and Development

These activities primarily relate to the development of new products and enhancement of existing products.

Treatment of Pensions

Information on pensions can be found in the Remuneration Report, Accounting Policies Note 1 and Note 2 to the Accounts.

Payment Policy

The UKHO's general policy is to pay suppliers within 30 days of receipt of a valid invoice or delivery date whichever is later, unless more specific terms are agreed.

In the year ended 31 March 2008, 98.9% (2006/07 – 98.4%) of undisputed invoices were paid within the stipulated timeframe. The principles of the "Better Payment Procedure Code" have been observed. A summary of these are contained in "Government Accounting".

Euro Conversion Preparation

No additional expenditure has been incurred during 2007/08 in respect of preparatory work to support any future decision for conversion to the euro. The UKHO operates recognised commercial systems, which are capable of supporting multi-currency transactions.

Policy on the Employment of the Disabled

The UKHO is committed to a policy of equality of opportunity. Disablement is not seen as a bar to recruitment or advancement, the test applied being the ability to do the job.

Employee Involvement

The UKHO is committed to quality communication with employees and encouraging their commitment to the UKHO's continued success. Line management provides the key focus for employee involvement supplemented by dissemination of information by means of monthly summaries of issues including financial performance, the publication of a bi-monthly UKHO newspaper, presentations by the Chief Executive to all employees and other ad hoc bulletins. The UKHO Intranet also provides a vehicle for rapid and accessible communication. The latter includes a weekly blog by the Chief Executive and an employees' forum in which employees are free to raise any issues of general

concern or of topical interest. Formal consultations over a wide range of issues are conducted through the Whitley Committee, chaired by the Chief Executive, which meets several times a year. Trades Unions are actively encouraged to contribute to studies and other reviews and are represented on the UKHO Board.

Environment and Community

The UKHO has an active environmental policy. In order to demonstrate effective and sustainable management, to achieve the sustainability and waste reduction targets and to ensure that its activities are carefully coordinated, the EcoHydro initiative has been created. This is in accordance with the Secretary of State's Environmental Policy. The UKHO has increased the recycling facilities on site, reduced the amount of waste going to landfill, and seeks to make sure that the disposal of waste material is carried out legally and in an environmentally sound way. It encourages cycling to work and has introduced an employee purchase bicycle scheme. Car sharing will be actively encouraged next year. The UKHO maintains the environment on site in a sustainable way, composting green waste and protecting wildlife.

The UKHO is very involved with local education, including employees helping at schools in Taunton. It also hosts the local Sea Cadet unit. A UKHO charity is chosen every year, 2007 seeing in excess of £10,000 being raised for a scanner for the local hospital's radiotherapy department, and in 2008 the UKHO is raising funds for the St Margaret's Somerset Hospice.

Environment and Community – World-wide

UKHO staff members make a major contribution to the efforts of the International Maritime Organization and the International Hydrographic Organization (IHO) to encourage all coastal states to implement appropriate arrangements to promote safety of life at sea and protection of the environment. UKHO has taken a leading role in the development of technical standards and the provision of capacity building assistance. During the year such help has been given to 26 small island and coastal developing states in areas of high risk to cruise liners and other modern shipping, in the Caribbean, Southern Africa, Indian Ocean and Red Sea. These efforts have been supplemented by a bilateral programme of training, particularly focussed on Commonwealth countries and other key partners. The UKHO is also a major supporter of IHO efforts to coordinate surveying and charting in Antarctica.

STATEMENT OF AGENCY'S AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under section 4(6)(a) of the Government Trading Funds Act 1973 the Treasury has directed the United Kingdom Hydrographic Office to prepare a statement of accounts for each financial year in the form and on the basis set out in their Accounts Direction issued on 11th December 2007. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year-end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

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

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

The Treasury has appointed the Chief Executive of the United Kingdom Hydrographic Office, as the Accounting Officer for the Hydrographic Office Trading Fund. His relevant responsibilities in this role, including his responsibility for propriety and regularity of the public finances for which he is answerable and for keeping of proper records, are set out in "Managing Public Money" published by HM Treasury.

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the United Kingdom Hydrographic Office for the year ended 31st March 2008 under the Government Trading Funds Act 1973. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the United Kingdom Hydrographic Office, the Chief Executive and auditor

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

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

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

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

I review whether the Statement on Internal Control reflects UKHO's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of UKHO's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Trading Funds Act 1973 and directions made thereunder by HM Treasury, of the state of UKHO's affairs as at 31st March 2008 and of its profit for the year then ended;
- the financial statements and the part of the "Remuneration Report" to be audited have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder; and
- information given within the Annual Report, which comprises the "Management Commentary"; "Governance, Structure and Policies" and the "Remuneration Report", is consistent with the financial statements.

Audit Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

T J Burr

Comptroller and
Auditor General
18 June 2008

National Audit Office

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Victoria
London SW1W 9SS

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

**THE ACCOUNTS FOR THE YEAR ENDED
31 MARCH 2008**

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

	Note	2007/08 £M Continuing Operations	2007/08 £M Discontinued Operations	Restated 2006/07 £M
Turnover:				
Group and share of joint venture		94.3	0.0	84.5
Less: share of joint venture turnover		0.0	0.0	(0.1)
Group turnover	4	94.3		84.4
Change in stocks of finished goods and WIP		0.0		0.0
Materials and other external charges		(6.2)		(5.4)
Staff costs	2	(46.0)		(41.2)
Depreciation and impairment	5a	(4.6)		(4.1)
Other operating charges	5b	(29.6)	0.0	(26.8)
Profit on ordinary activities before interest and joint venture	5	7.9		6.9
Trading Fund Rationalisation	6	(7.9)		0.0
Profit on ordinary activities before interest and joint venture after exceptionals		0.0		6.9
Share of operating loss in joint ventures			(0.1)	(0.5)
Interest receivable and similar income (Group)	7	1.5		1.2
Interest payable and similar charges:	8			
Group		(0.9)		
Joint venture		0.0		
		(0.9)		(1.0)
Profit on ordinary activity before tax		0.6	(0.1)	6.6
Taxation		0.0		0.0
Net Profit		0.6	(0.1)	6.6
Dividend		(7.9)		(4.9)
Retained (loss)/profit for the financial year		(7.3)	(0.1)	1.7

The notes on pages 36 to 51 form part of these accounts.

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2008

	Note	31 March 2008 £M	Restated 31 March 2007 £M
Fixed Assets			
Intangible Assets	10a	6.0	6.8
Tangible Assets	10b	39.1	35.5
		45.1	42.3
Investments in joint venture:			
Loans	11	0.0	0.0
Share of gross assets		0.0	0.9
Share of gross liabilities		0.0	(0.9)
		0.0	0.0
Current Assets			
Stock	12	1.9	1.8
Debtors	13	18.4	19.9
National Loans Fund		25.6	22.6
Cash in hand		2.1	2.2
		48.0	46.5
Current Liabilities			
Creditors			
amount falling due within one year	14	(28.7)	(26.2)
Net current assets		19.3	20.3
Total assets less current liabilities		64.4	62.6
Provisions for liabilities and charges	15	(11.9)	(4.0)
Net Assets		52.5	58.6
Financed by:			
Trading Fund			
Public dividend capital		13.3	13.3
Long term loans	16	10.2	10.6
Revaluation reserve	17	13.5	12.4
Profit and loss account	17	18.0	25.2
Total government funding	23	55.0	61.5
Admiralty Holdings Limited			
Profit and loss account	17	(2.5)	(2.9)
Total Funding		52.5	58.6

The notes on pages 36 to 51 form part of these accounts.



Mike Robinson
Chief Executive
11 June 2008

TRADING FUND BALANCE SHEET AS AT 31 MARCH 2008

	Note	31 March 2008 £M	Restated 31 March 2007 £M
Fixed Assets			
Intangible Assets	10a	1.8	2.3
Tangible Assets	10b	38.9	35.5
		40.7	37.8
Investment			
	11	7.1	7.5
Current Assets			
Stock	12	1.9	1.8
Debtors	13	17.7	19.6
National Loans Fund		25.6	22.6
Cash in hand		0.4	1.1
		45.6	45.1
Current Liabilities			
Creditors amount falling due within one year	14	(26.5)	(24.9)
Net current assets		19.1	20.2
Total assets less current liabilities		66.9	65.5
Provisions for liabilities and charges	15	(11.9)	(4.0)
Net Assets		55.0	61.5
Financed by:			
Public dividend capital		13.3	13.3
Long term loans	16	10.2	10.6
Revaluation reserve	17	13.5	12.4
Profit and loss account	17	18.0	25.2
Total government funding	23	55.0	61.5

The notes on pages 36 to 51 form part of these accounts.



Mike Robinson
Chief Executive
11 June 2008

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2008

	2007/08 £M Operations	Restated 2006/07 £M Operations
Profit for the financial year	0.6	6.6
Unrealised current cost revaluation surplus	1.7	1.8
Total recognised gains and losses relating to the year	2.3	8.4
Prior Year Adjustment (as explained in note 3)	0.9	
Total recognised gains and losses recognised since last annual report	3.2	

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	Note	2007/08 £M	Restated 2006/07 £M
Net cash inflow from operating activities	20	16.5	13.0
Investments		0.0	(0.4)
Returns on investments and servicing of finance			
Interest received	7	1.4	1.1
Interest paid	8a	(0.9)	(0.9)
Dividend paid on public dividend capital		(7.9)	(4.3)
		(7.4)	(4.1)
Capital Expenditure			
Payments to acquire tangible fixed assets		(5.9)	(5.3)
Purchase of subsidiary undertakings		0.0	(0.4)
Receipts from Sales of Joint venture		0.1	0.0
Receipts from sales of tangible fixed assets		0.0	0.0
		(5.8)	(5.7)
Net cash inflow before use of liquid resources and financing		3.3	2.8
Management of liquid resources			
Increase in short term deposits		(3.0)	(2.1)
Financing			
Repayment of long term loan		(0.4)	(0.4)
(Decrease) / Increase in cash and bank balance		(0.1)	0.3

The notes on pages 36 to 51 form part of these accounts.

1. ACCOUNTING POLICIES

A. Basis of Accounting

The accounts have been prepared in accordance with the Accounts Direction issued by HM Treasury on 11th December 2007, pursuant to section 4(6) of the Government Trading Funds Act 1973. They follow the accruals concept of accounting and the historical cost convention, modified to include revaluation of Fixed Assets as set out in Note E below. They comply with the accounting and disclosure requirements of the Companies Act 1985, generally accepted accounting practice in the United Kingdom (UK GAAP), accounting standards issued by the Accounting Standards Board, and HM Treasury guidance, insofar as they are appropriate.

Under the guidance provided in Financial Reporting Standard FRS 2 - Accounting for Subsidiary Undertakings, the UKHO is preparing consolidated accounts on the basis that it exercises dominant influence over the activities and day-to-day operations of the corporate group through majority control of the board of directors of AHL and all of its subsidiary undertakings.

B. Basis of Consolidation

The consolidated accounts incorporate those of the trading fund together with those of AHL and all of its subsidiary undertakings. All the entities are consolidated using the acquisition method and their results are incorporated from the date that control passes. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is capitalised and written off on a straight-line basis over its estimated economic life. Provision is made for impairment.

Accounts are drawn up to 31 March each year. All inter-company transactions and balances are eliminated on consolidation.

AHL and its subsidiary undertakings were incorporated during 2002/2003. All the issued share capital of AHL is held in the name of the office of the Secretary of State for Defence. Authority to manage the operation of the company and its subsidiary undertakings has been delegated to the UKHO Chief Executive.

Following HM Treasury guidance, this group of companies has been set up as a suitable vehicle to enter into joint ventures and other similar arrangements.

C. Turnover

Turnover represents the value of invoiced sales, net of VAT, at the point of physical delivery or in the case of service agreements (e.g. sales of digital products) it is realised equally over the licence period (see note 3). Exceptionally, they may be accrued where work is complete and there is certainty of future payment. They are not analysed by market segment because UKHO is broadly a unitary business providing navigational products to a single market segment.

D. Provision for Sales Credits

A provision is made for potential sales returns from Admiralty Chart Distributors in respect of superseded products. The provision is derived from a moving average of actual returns over the last three years, expressed as a percentage of turnover.

E. Fixed Assets Valuation

Ownership of the Agency's assets is vested in the Secretary of State for Defence.

Intangible Assets

Software licences are retained at historic cost due to their short-term economic life. They are amortised over their useful economic useful lives of between 2 and 5 years.

Goodwill

External goodwill is determined following a fair value assessment of net assets acquired on the acquisition of a business. Amortisation is provided over the estimated useful economic life. Impairment reviews are performed at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying values may not be recoverable. Goodwill is currently being amortised over 15 years.

Tangible Assets

Land, Buildings and a specific selection of significant items of plant and machinery were professionally valued at 1 October 2004 by the Valuation Office Agency in accordance with Statement of Assets Valuation Practice No 4 and the Royal Institute of Chartered Surveyors Appraisal and Valuation Standards 5th edition. Land and Buildings were valued at Depreciated Replacement Cost of the Estate with the exception of a small area of land adjoining the main site, which is let to the owners of an adjacent commercial property for which a Market Value has been provided. Plant and Machinery were assessed at the Value of Plant and Machinery to the Business (VPMB).

All assets, with the exception of the wholly owned subsidiaries, have been revalued as at 31 March 2008 through the application of appropriate indices:

- Land - the Gross Domestic Product Index;
- Buildings – the Buildings Tender Price Index;
- Plant and Equipment – the Office for National Statistics index 2924 (industrial and commercial machinery and services equipment);
- Computers (excluding software licences) – are retained at historic cost due to their short-term economic life.

New additions and improvements in respect to both tangible and intangible assets are capitalised by the UKHO at cost where the value of discrete items exceeds £1,000 excluding VAT. Software and associated licences are capitalised when they are stable (i.e. not subject to frequent upgrades) and related to processes vital to core business. SevenCs applies a minimum threshold of €410 for the capitalisation of movable assets whilst SeaZone applies a general threshold of £500.

F. Depreciation and Amortisation

Freehold Land is not depreciated. Depreciation on other assets is calculated to write off the original cost or restated value evenly (except in large items of plant & equipment purchased since April 2007) over their estimated useful lives taking account of any residual second-hand or scrap value. Large items of plant & equipment purchased since April 2007 are depreciated on a reducing balance methodology. Estimated useful lives are as follows:

Buildings	Not exceeding 50 years
Plant and Equipment	Between 1 and 20 years
Computers (including capitalised software and licences)	Between 2 and 5 years

Asset lives are periodically reviewed for obsolescence in the light of technological development.

G. Stocks and Work in Progress

Raw material stock is valued at the lower of cost or net current replacement cost. Finished goods stock and work in progress is valued at the lower of cost and realisable value. Provision is made, where necessary, for obsolete, slow moving and defective stocks.

H. Hydrographic Database

In carrying out its business, the UKHO utilises raw hydrographic data provided by the Ministry of Defence and the Maritime and Coastguard Agency but a significant element is also derived from foreign governments and private companies. The vast bulk of this hydrographic data is owned by these third parties, and the UKHO pays for its usage through royalties. The very small proportion of data owned by the UKHO was mainly acquired many years ago, and is not normally used now in the production of charts without being updated by recent soundings etc. Consequently, the data are of limited value to the UKHO.

The UKHO has not valued, therefore, any part of the hydrographic database but has charged direct to revenue all costs of acquiring and maintaining data as they were incurred.

I. Non-Operational Assets

The UKHO is custodian of some unique and irreplaceable historically important hydrographic records acquired or produced by the Agency during its 200-year history. They have the legal status of public records and meet the HM Treasury definition of non-operational assets. They do not have a marketable value and have therefore not been valued.

J. Pensions

Civilian employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). The PCSPS is an unfunded multi-employer defined benefit scheme. However, since the UKHO is unable to identify its share of the underlying assets and liabilities it is accounted for as a defined contribution scheme. Contributions are paid at rates determined from time to time by the Government Actuary. New entrants from 1 October 2002 have the option to open a partnership pension account, a "money purchase" stakeholder pension arrangement with an employer contribution. Service personnel are deemed to be on loan to the UKHO, which carries no liability for their pension other than insofar as these form a constituent element of the monthly loan service charge paid to the MoD for their services. Full provision for early retirements is normally made in the year of retirement.

K. Insurance

UKHO carries commercial insurance for professional indemnity in line with HM Treasury guidelines which allows for this if cost effective. It carries its own risks in respect of damage to buildings and their contents, business interruption, employers' liability, public liability etc. In the event of any loss occurring which exceeds the scope to be covered from insurance or retained profit, the UKHO will consult with the MoD about the action to be taken.

L. Research and Development

All expenditure on research and development of non-commercial products is written off to the Income and Expenditure Account. Research and development of commercial products is similarly written off until such time as all the requirements of accounting standards are met. These are laid down in SSAP 13 "Accounting for Research and Development" as adapted by the Government Financial Reporting Manual. Amortisation of these costs commences with the commercial production of the product. The costs are amortised on a straight-line basis over the product commercial lives.

M. Foreign Currencies

Assets and liabilities denominated in a foreign currency are translated at the rate(s) of exchange ruling at the balance sheet date. Transactions are recorded at the rate(s) ruling at the time of the transaction. Exchange differences are taken to the Income and Expenditure account. Assets, liabilities, and results of overseas subsidiaries are translated at the rate(s) ruling at the balance sheet date. Exchange differences arising are dealt with through reserves.

N. Investments

In accordance with Treasury rules, funds surplus to immediate requirements of £1M or more are deposited with the National Loans Fund for a minimum of 7 days. Immediate cash requirements are held in an interest bearing bank account.

O. Royalties

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

P. Treatment of Operating Leases

All expenditure incurred in respect of operating leases is charged to operating expenses in the year in which they arise. The UKHO has no finance leases.

Q. Treasury Discount Rate

The Treasury discount rate of 2.2% has been used in calculating any discounted figures.

R. Liquid Resources

For the purposes of the Cash Flow Statement, all amounts deposited with the National Loans Fund have been treated as liquid resources in line with FRS 1 "Cash Flow Statements".

S. Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

T. Treatment of Finance Leases as a Lessor

The UKHO is participating in the Home Computer Initiative which is a salary sacrifice scheme through which employees are provided with equipment for personal home use. The cycle purchase scheme is similar to a salary sacrifice scheme. The equipment has been purchased by the UKHO and leased to employees over a three-year term with an option to purchase at the end. The purchase cost is accounted for as "Net Investments in Finance Leases" and included within the Balance Sheet "Current Assets – Debtors" total. Recovery of the cost is made through fixed monthly deductions from salaries (on which the employee receives tax and national insurance contribution relief) and credited to the account. Monthly charges also include a financing element. This is included under "Interest receivable and similar income (Group)" in the Income and Expenditure Account.

2. STAFF COSTS AND NUMBERS

Staff Numbers

The average number of employees during the year was made up as follows:

	2007/08	2006/07
Operations	558	506
Print and supply	132	148
Marketing	50	55
Support	315	304
Sub total UKHO	1055	1013
SeaZone	10	8
SevenCs	46	41
	1111	1062
Civil Servants	1007	957
Agency Staff	42	51
Service Personnel	6	5
Subsidiaries	56	49
	1111	1062

Salary

Total employee costs for the year were as follows:

	2007/08	2006/07
	£K	£K
Salaries, wages etc.	34,002	30,750
Social security costs	2,472	2,385
Pension costs	5,778	5,276
Agency staff costs	3,047	2,173
Service personnel costs	720	614
	46,019	41,198

Members of the Owner's Council receive no remuneration from the UKHO apart from the Chief Executive and the Chairman of the UKHO Board. The latter is paid on an annual fee basis which includes Owner's Council duties. The costs of full time government officials are borne by their parent departments. The fees and expenses of the external advisers are paid by the MoD.

Service personnel occupy permanent posts within the UKHO, and are included in employee numbers shown above. However, they are MoD employees on loan to the UKHO for which MoD charges UKHO a capitation rate rather than actual salary costs. The UKHO carries no specific liability for the pension costs of Service personnel.

Pension

For 2007/08, the applicable pension rates were as follows:

Scheme and Annual Salary Bands to which rates apply	%
PCSPS - Band 1 - £19,000 and under	17.1
PCSPS - Band 2 - £19,001 to £39,000	19.5
PCSPS - Band 3 - £39,001 to £66,500	23.2
PCSPS - Band 4 - £66,501 and over	25.5

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the UKHO is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2007-08, employers' contributions of £5.7m were payable to the PCSPS (2006/07 £5.3m) at the appropriate rate (see above) applied to pensionable pay. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2008-09, the salary bands will be revised but the rates will remain the same. (The rates will be changing with effect from April 2009).

The contribution rates are set to meet the cost of the benefits accruing during 2007/08 and payable when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, (a stakeholder pension with an employer contribution). Employers' contributions of £25.2k were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. In addition, employers also match employee contributions up to 3 per cent of pensionable pay. Employer contributions of £2.1k, 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £2.5k.

There has been one early retirement on ill health grounds; the total additional accrued pension liability in the year amounted to £1,169 (£nil for 2006/07).

3. RESTATEMENT OF PRIOR YEAR STATEMENTS

Prior year statements have been restated to reflect the consequential impact of a change in accounting policy from 2007/08 in relation to the recognition of revenue and associated cost of sales in the case of service agreements (e.g. sales of digital products) which is realised equally over the licence period.

	Reported 2006/07 £M	Adjustment 2006/07 £M	Restated 2006/07 £M
Consolidated Income and Expenditure Account			
Group and share of joint venture	86.1	(1.6)	84.5
Group Turnover	86.0	(1.6)	84.4
Materials and other external charges	(6.1)	(0.7)	(5.4)
Profit on ordinary activities before tax and joint venture	7.8	(0.9)	6.9
Profit on ordinary activities before tax	7.5	(0.9)	6.6
Net Profit	7.5	(0.9)	6.6
Retained profit for the financial year	2.6	(0.9)	1.7
Consolidated Statement of Total Recognised Gains and losses			
Profit for the financial year	7.5	(0.9)	6.6
Total recognised gains and losses relating to the year	9.3	(0.9)	8.4
Consolidated Cash Flow Statement			
Net Cash Flow from operating activities			
Increase in Debtors	(2.9)	(0.7)	(3.6)
(Decrease) / increase in creditors	4.1	1.6	5.7
Consolidated Balance Sheet			
Debtors	18.6	1.3	19.9
Current Assets	45.2	1.3	46.5
Creditors amount falling due within one year	(21.6)	(4.6)	(26.2)
Net Current Assets	23.6	(3.3)	20.3
Total assets less current liabilities	65.9	(3.3)	62.6
Net Assets	61.9	(3.3)	58.6
Profit and Loss account	28.5	(3.3)	25.2
Total government funding	64.8	(3.3)	61.5
Total funding	61.9	(3.3)	58.6
Trading Fund Balance Sheet			
Debtors	18.3	1.3	19.6
Current Assets	43.8	1.3	45.1
Creditors amount falling due within one year	(20.3)	(4.6)	(24.9)
Net Current Assets	23.5	(3.3)	20.2
Total assets less current liabilities	68.8	(3.3)	65.5
Net Assets	64.8	(3.3)	61.5
Profit and loss account	28.5	(3.3)	25.2
Total government funding	64.8	(3.3)	61.5

4. TURNOVER ANALYSIS

	2007/08	Restated 2006/07
	£K	£K
Sales to the Ministry of Defence	11,823	11,656
Commercial sales	78,230	69,276
SeaZone	794	515
SevenCs	3,448	2,990
Share of JV turnover (Note a)	27	76
Total turnover	94,322	84,513

The UKHO is principally a unitary business and for the most part serves a single market segment. Further segmentation analysis would therefore require arbitrary apportionment of costs and could potentially be misleading.

- a. Admiralty Holdings Ltd sold its share in the joint venture, Admiralty Coastal Surveys AB on 30 May 2007.

5. PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST

Profit on ordinary activities before interest and Joint Venture of £7.9M (2006/07 - £6.9M) is stated after charging:

	31 March 2008	Restated 31 March 2007
	£K	£K
Depreciation/amortisation - owned assets	4,566	3,810
Loss on disposal of fixed assets	31	53
Impairment adjustments	0	206
5a	4,597	4,069
Operating leases: Office machinery (Note a)	10	13
Professional fees	3,418	1,775
Research and development	4,598	5,029
External Auditor's remuneration (Note b)	99	95
Travel, training and entertainment expenses	3,277	3,221
Materials and services	5,087	5,851
Utilities and other estates operating costs	3,631	3,355
Computing and office machines	3,424	2,537
Royalties payable	6,033	4,882
5b	29,577	26,758

- a. All operating leases expire after five years. Future commitments amount to £14k per annum.
- b. Auditor's remuneration includes fees for both UKHO and AHL companies of which the total for UKHO levied by the NAO is £83k (£80.5k in 2006/07).

6. TRADING FUND RATIONALISATION

On 5 December 2007, the Under Secretary of State for Defence announced in the House of Commons UKHO proposals for the rationalisation of the Trading Fund (Project Amber). These included a net reduction in posts over a five year period commencing 2007/08. Between 200 and 250 departures are expected to be on severance terms e.g. early retirement or redundancy. A provision of £7.9m has been included for the first tranche of posts identified as savings.

7. INTEREST RECEIVABLE AND SIMILAR INCOME

This relates to interest receivable from investments in the National Loans Fund, investments in joint ventures, short-term deposits held in an interest bearing bank account and interest charges on overdue payments. Interest from investments in the National Loans Fund constitutes the majority of interest receivable.

8. INTEREST PAYABLE AND SIMILAR CHARGES

	Note	31 March 2008 £K	31 March 2007 £K
a) Interest paid to the MoD in respect of the long-term loan		880	913
b) Unwinding of the discount on provision for early retirements	15	26	42
		906	955

9. TAXATION

The UKHO is not subject to income or corporation tax in the United Kingdom. However, AHL is liable to pay corporation tax in the United Kingdom on their taxable profits. AHL subsidiaries are liable to, and have provided for, tax payable in their countries of domicile. No provision has been made in these accounts for tax payable by AHL and its subsidiaries on the grounds that tax losses arose during the year. AHL has a deferred tax asset in respect of tax losses carried forward, which has not been recognised in these accounts on the grounds of uncertainty with regard to recoverability.

10A INTANGIBLE FIXED ASSETS

Consolidated	Software Licences	Goodwill SeaZone	Goodwill SevenCs	Total
Cost or Valuation:	£K	£K	£K	£K
At 1 April 2007	6,823	8	4,811	11,642
Additions (Note a)	386	0	26	412
At 31 March 2008	7,209	8	4,837	12,054

Amortisation:

At 1 April 2007	4,480	8	392	4,880
Charged	811	0	322	1,133
At 31 March 2008	5,291	8	714	6,013

Net Book Value:

At 31 March 2008	1,918	0	4,123	6,041
At 31 March 2007	2,343	0	4,419	6,762

a. The addition for goodwill reflects a balance payable for trade tax in the acquisition of SevenCs

Trading Fund	Software Licences	Total
Cost or Valuation:	£K	£K
At 1 April 2007	6,728	6,728
Additions	316	316
At 31 March 2008	7,044	7,044

Amortisation:

At 1 April 2007	4,429	4,429
Charged	783	783
At 31 March 2008	5,212	5,212

Net Book Value:

At 31 March 2008	1,832	1,832
At 31 March 2007	2,299	2,299

10B TANGIBLE FIXED ASSETS

Consolidated	Freehold Land and Buildings	Plant and Equipment	Furniture	Information Technology	Assets under Construction	Total
Cost or Valuation:	£K	£K	£K	£K	£K	£K
At 1 April 2007	31,185	3,536	1,300	7,386	4,138	47,545
Additions	0	3,997	102	568	702	5,369
Disposals	0	(49)	0	(285)	0	(334)
Revaluation	1,670	(10)	0	0	0	1,660
At 31 March 2008	32,855	7,474	1,402	7,669	4,840	54,240
Depreciation:						
At 1 April 2007	5,245	1,916	460	4,428	0	12,049
Charged	1,091	1,031	222	1,089	0	3,433
Disposals	0	(49)	0	(254)	0	(303)
At 31 March 2008	6,336	2,898	682	5,263	0	15,179
Net Book Value:						
At 31 March 2008	26,519	4,576	720	2,406	4,840	39,061
At 31 March 2007	25,940	1,620	840	2,958	4,138	35,496

Trading Fund	Freehold Land and Buildings	Plant and Equipment	Furniture	Information Technology	Assets under Construction	Total
Cost or Valuation:	£K	£K	£K	£K	£K	£K
At 1 April 2007	31,185	3,536	1,300	7,125	4,138	47,284
Additions	0	3,997	101	438	702	5,238
Disposals	0	(49)	0	(285)	0	(334)
Revaluation	1,670	(10)	0	0	0	1,660
At 31 March 2008	32,855	7,474	1,401	7,278	4,840	53,848
Depreciation:						
At 1 April 2007	5,245	1,916	460	4,186	0	11,807
Charged	1,091	1,031	221	1,084	0	3,427
Disposals	0	(49)	0	(254)	0	(303)
At 31 March 2008	6,336	2,898	681	5,016	0	14,931
Net Book Value:						
At 31 March 2008	26,519	4,576	720	2,262	4,840	38,917
At 31 March 2007	25,940	1,620	840	2,939	4,138	35,477

11. INVESTMENT

	Consolidated	Trading Fund (Note a)
	£K	£K
Analysis of Loans		
1 April 2007	0	7,480
Movement in year	0	(366)
Net Book Value 31 March 2008	0	7,114

Notes

- a. Trading Fund investments include the capitalisation of long-term trading debts owed to UKHO. All other loans have been provided to AHL for investment as equity and loan capital in SevenCs and SeaZone.

Holdings of more than 20%

UKHO prepares consolidated accounts under the guidance provided in FRS 2: Accounting for Subsidiary Undertakings. Despite not having a direct investment interest in AHL, the UKHO Board is capable of exercising, and actually exercises, dominant influence over the activities and day-to-day operations of the corporate group through majority control of the board of directors of AHL and all of its subsidiary undertakings.

Based on the dominant influence of the corporate group, details of the companies of which the trading fund holds more than 20% of the share capital are detailed in the following table. Details are also shown of the aggregate amount of capital and reserves and results of these undertakings for the last relevant financial year.

Company	Country (Note *)	Shares held Class	%	Capital and £K	Profit / (loss) £K
Subsidiary undertakings					
Admiralty Holdings Ltd	England	Ordinary	100	1528	(314)
Admiralty Deutschland GmbH	Germany	Ordinary	100	5582	(155)
SevenCs GmbH	Germany	Ordinary	100		
ChartWorld GmbH	Germany	Ordinary	100		
SeaZone Solutions Limited	England	Ordinary 'A'	100	(410)	64
		Ordinary 'B'	100		
Admiralty Ltd	England	Ordinary	100		
Admiralty Charts Ltd	England	Ordinary	100		
Admiralty Consultancy Ltd	England	Ordinary	100		
Admiralty Digital Ltd	England	Ordinary	100		
Admiralty Marine Ltd	England	Ordinary	100		
Admiralty Overseas Ltd	England	Ordinary	100		
Admiralty Sea Law Ltd	England	Ordinary	100		
Admiralty Services Ltd	England	Ordinary	100		
Admiralty Ventures Ltd	England	Ordinary	100		

AHL sold its 49% share in Admiralty Coastal Surveys, AB, a non-core joint venture business, on 30 May 2007.

The results of SevenCs GmbH and ChartWorld GmbH are consolidated into Admiralty Deutschland GmbH.

12. STOCK

	31 March 2008	31 March 2008	31 March 2007	31 March 2007
	Consolidated	Trading Fund	Consolidated	Trading Fund
	£K	£K	£K	£K
Materials	454	454	394	394
Work in Progress	100	100	44	44
Finished stocks	1,317	1,317	1,394	1,394
	1,871	1,871	1,832	1,832

13. DEBTORS

	31 March 2008	31 March 2008	Restated 31 March 2007	Restated 31 March 2007
	Consolidated	Trading Fund	Consolidated	Trading Fund
	£K	£K	£K	£K
<i>Falling due within one year</i>				
Trade Debtors	14,571	14,001	16,183	15,969
Other Debtors	712	751	705	528
Prepayments & Accrued Income	3,006	2,888	2,844	2,944
Net Investments & Finance Leases	81	81	132	132
	18,370	17,721	19,864	19,573

Falling due after more than one year

Net Investments & Finance Leases	0	0	60	60
	0	0	60	60

	18,370	17,721	19,924	19,633
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Analysis of Total Debtors

Other Central Government bodies	1,845	2,030	2,690	2,566
Public Corporations & Trading Funds	49	15	640	525
Intra-government balances	1,894	2,045	3,330	3,091
Bodies External to Government	16,476	15,676	16,594	16,542
	18,370	17,721	19,924	19,633

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2008	31 March 2008	Restated 31 March 2007	Restated 31 March 2007
	Consolidated	Trading Fund	Consolidated	Trading Fund
	£K	£K	£K	£K
Trade creditors	1,927	1,606	2,076	1,953
Other taxes and social security	824	823	793	749
Other creditors	161	4	75	0
JV loans payable to third parties	0	0	100	0
Accruals and other deferred income	20,948	19,302	18,300	17,353
Proposed dividend	4,854	4,854	4,889	4,889
	28,714	26,589	26,233	24,944

Analysis of Total Creditors

Other Central Government bodies	6,352	6,351	6,430	6,386
Public Corporations and Trading Funds	154	154	154	154
Intra-government balances	6,506	6,505	6,584	6,540
Bodies External to Government	22,208	20,084	19,649	18,404
	28,714	26,589	26,233	24,944

15. PROVISIONS FOR LIABILITIES AND CHARGES

Consolidated	Balance at 1 April 2007	Charged to Profit and Loss	Unwinding of discount	Applied	Balance at 31 March 2008
	£K	£K	£K	£K	£K
Provision for sales credits	2,281	2,983	0	(2,512)	2,752
Provision for early retirement	1,703	93	26	(597)	1,225
Provision for Rationalisation	0	7,927	0	0	7,927
	3,984	11,003	26	(3,109)	11,904

Provision for Sales Credits

A provision is made against current sales in respect of future credits for superseded stocks held by Admiralty Chart Distributors. The provision represents a moving average of credits allowed over the last three years, expressed as a percentage of sales after discounts. It is anticipated that the provision will be fully applied during 2008/09.

Provision for Early Retirement

This reflects the outstanding liability for early retirements arising from a variety of restructuring exercises undertaken in previous years. The provision has been discounted at 2.2%. The provision will be fully applied by 2014/15.

Provision for Rationalisation

See note 6.

16. LONG TERM LOAN

	31 March 2008	31 March 2008	31 March 2007	31 March 2007
	Consolidated	Trading Fund	Consolidated	Trading Fund
Analysis of repayments	£K	£K	£K	£K
Within 1 year	457	457	421	421
Between 1 and 2 years	496	496	457	457
Between 2 and 5 years	1,758	1,758	1,619	1,619
After 5 years	7,473	7,473	8,108	8,108
	10,184	10,184	10,605	10,605

17. RESERVES

Consolidated	Revaluation Reserves	Restated Profit and Loss Account	Total
	£K	£K	£K
At 1 April 2007	12,392	22,301	34,693
Loss for the year	0	(7,326)	(7,326)
Revaluation of fixed assets	1,660	0	1,660
Realisation of revaluation surplus	(492)	492	0
At 31 March 2008	13,560	15,467	29,027

18. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The UKHO has very limited powers to borrow or invest surplus funds and except for relatively insignificant sales in foreign currency, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the department in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from the currency profile.

Liquidity risk

The UKHO is able to meet both its normal working capital requirements and future capital investments without recourse to borrowing. It is not therefore exposed to significant liquidity risks.

Interest-rate risk

All UKHO financial assets and liabilities that are subject to interest are assessed at fixed rates. The UKHO is not therefore exposed to significant interest-rate risk.

Foreign currency risk

The UKHO's trading exposure to foreign currency risk is not significant. Both foreign currency income and expenditure is negligible. Of a £7.1M investment in AHL, which excludes provisions, approximately £5.1M in the acquisition of SevenCs. Both the capital and interest payments are exposed to foreign currency fluctuations.

Fair values

The fair value of loans provided to the UKHO is assessed at £7.1M as at 31 March 2008, discounted applying the National Loans Fund rate for equivalent term annuity loans as at that date of 4.75%.

19. CAPITAL COMMITMENTS

	31 March 2008 Consolidated £K	31 March 2008 Trading Fund £K	31 March 2007 Consolidated £K	31 March 2007 Trading Fund £K
Contracted for but not provided for in the accounts:	2,780	2,780	4,245	4,245
Capital	2,780	2,780	4,245	4,245

20. RECONCILIATION OF CONSOLIDATED PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST TO CONSOLIDATED NET CASH INFLOW FROM OPERATING ACTIVITIES

	31 March 2008 £K	Restated 31 March 2007 £K
Consolidated profit on ordinary activities before interest and joint venture and after exceptionals	40	6,904
Depreciation & Amortisation	4,566	3,810
Impairment adjustment	0	206
Loss on sale and disposal of tangible fixed assets	31	53
(Increase) / Decrease in stocks	(39)	18
Decrease / (Increase) in debtors	1,553	(3,539)
Increase in creditors	2,481	5,712
Increase / (decrease) in provisions	7,920	(215)
Consolidated net cash inflow from operating activities	16,552	12,949

21. ANALYSIS OF CHANGES IN CONSOLIDATED NET FUNDS

	At 1 April 2007 £K	Cash Flow in Year £K	Other changes in year £K	At 31 March 2008 £K
Cash in hand and at bank *	2,154	(2)	0	2,152
	2,154	(2)	0	2,152
Debt due within 1 year	(421)	421	(457)	(457)
Debt due after 1 year	(10,184)	0	457	(9,727)
	(10,605)	421	0	(10,184)
National Loans Fund Deposit	22,600	3,000	0	25,600
	14,149	3,419	0	17,568

*All bank balances are held in commercial accounts.

22. RECONCILIATION OF CONSOLIDATED NET CASH FLOW TO MOVEMENT IN CONSOLIDATED NET FUNDS

	2007/08	2006/07
	£K	£K
(Decrease) / increase in cash in year	(2)	259
Cash outflow from movement in debt	421	388
Cash used to increase liquid resources	3,000	2,100
Change in net funds	3,419	2,747
Net Funds at 1 April	14,149	11,402
Net Funds at 31 March	17,568	14,149

23. RECONCILIATION OF MOVEMENTS IN GOVERNMENT FUNDS

	2007/08	Restated 2006/07
	£K	£K
At 1 April	61,447	57,783
Profit for the year before dividend	161	7,128
Revaluation reserve movement in year	1,660	1,813
Repayment of long term loan	(421)	(388)
Proposed dividend and special dividend paid	(7,854)	(4,889)
At 31 March	54,993	61,447

24. LOSSES AND SPECIAL PAYMENTS

During the year there have been write-offs of £239,109 in respect of fruitless payments (£nil for 2006/07); unrecoverable trade debtors £209,483 of which £101,077 relates to unrecoverable VAT by AHL (£nil for 2006/07) which were fully provided for in previous years. Furthermore, a special severance payment £23,458 (£nil for 2006/07), stock count discrepancies £13,037 (£4,443 in 2006/07) and unrecoverable overpayments to staff of £1,885 (£1,822 in 2006/07).

25. RELATED PARTY TRANSACTIONS

During the year the following related party transactions are noted, where a qualifying association existed between the supplying company and a UKHO Board member:

At the commencement of the financial year Michael Cauter was on secondment from the Department of Trade & Industry where he was employed under contract from KPMG. He became a permanent member of staff from 25 June 2007. His wife was also an employee of KPMG throughout the year.

KPMG were appointed as External Advisors to UKHO during the year, following a competition between suppliers listed under the OGC's Catalyst Framework Agreement. Michael Cauter was excluded from any involvement with the competition, and the award was personally approved by the UKHO Chief Executive. During 2007/08 payments made to KPMG totalled £2,648,146 (£127,700 in 2006/07). These related to the provision of consultancy services covering business strategy, status review, restructuring and various planning matters.

Chris Reynolds was employed in his capacity as Interim Head of Sales Marketing & Customer Services through the Reynolds Corporation Limited. During 2007/08, payments totalling £93,500 were paid to the organisation for services provided during 2006/07 and 2007/08.

Peter Cox retired from the UKHO on 30 April 2007. Both he and his wife became Directors of a dormant company whose name was changed to Craiglea Enterprises Ltd on 15 May 2007. This company was awarded a consultancy contract by the UKHO on 3 June 2007. Payments totalling £8,100 were made during the year. There were no accrued liabilities in respect of Craiglea Enterprises Ltd as at 31 March 2008.

All figures reported excluding VAT.

The Ministry of Defence as the UKHO's parent Department is regarded as a related party. During the year, the UKHO has also entered into material transactions with the Department and with other entities for which the Department is regarded as the parent Department viz.

Defence Intelligence Joint Environment – sale of hydrographic products and services.

Defence Estates – purchase of professional services.

Ministry of Defence Guard Service – purchase of site security services.

Director General Human Resources (Navy) – RN service personnel on loan to the UKHO.

Defence Equipment & Support – sale of hydrographic products.

Meteorological Office – purchase of services.

People, Pay and Pensions Agency – purchase of services.

Director General Civilian Personnel – purchase of occupational welfare services.

Defence Business Learning – purchase of training.

Other related parties:-

Central Office of Information – purchase of advertising services.

Maritime and Coastguard Agency – provision of professional services.

Treasury Solicitor – purchase of legal services.

National School of Government – purchase of training.

SevenCs – sale of data and purchase of products and services.

SeaZone – sale of data and purchase of professional services.

Admiralty Coastal Surveys AB – purchase and provision of professional services.

AHL – The consolidated accounts incorporate those of the trading fund together with those of AHL and all of its subsidiary undertakings. See further details above. During the year, UKHO incurred certain expenses on behalf of AHL.

With the exception of AHL and its subsidiaries, these are all government bodies and not separate legal entities.

26. AUTHORISATION OF ACCOUNTS

The accounts were authorised for issue (defined as date of despatch by the auditors to the Clerk of the House of Commons or House of Lords for laying before parliament) on 19 June 2008.

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