The United Kingdom Hydrographic Office Annual Report and Accounts 2010/11

Contents

THE UNITED KINGDOM
HYDROGRAPHIC OFFICE

ANNUAL REPORT AND ACCOUNTS
2010/2011

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as amended by the Government Trading Act 1990

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CHAIRMAN'S STATEMENT

We have had an exceptional year; sales revenues of our products have increased by 11.1%, we have increased the number of customers of our digital products portfolio by 29%, we have achieved or exceeded our Key Targets and will pay a dividend to our owner of £18m.

I believe our success is driven by three key factors. Firstly, UKHO has the most loyal and dedicated people I have come across in all of my years in business, secondly, it has a brand that has true global reach and a reputation for safety and quality that is unsurpassed and, lastly, it has developed new, exciting and innovative digital products to support its customers through the transition to digital navigation.

The team at the UKHO has an enduring reputation for excellent Quality and Safety which drives the UKHO's trusted Admiralty brand and reflects our priority focus to support "Safety Of Life At Sea" (SOLAS). This focus on safety, and exceptional effort in dealing with ever increasing amounts of incoming information, has resulted in Key Target 1 (Safety) being exceeded by a significant margin.

Defence (both in terms of the Royal Navy and the wider security community) remains our primary customer and our ability to support operations by providing the right information at the right time - our primary objective. This was evident in our assistance in the aftermath of the Haiti earthquake in January 2010. Over 2 million people were affected by the event and we made a real difference in delivering aid to the country by providing up to date chart information within just two days. Our data not only supported our Navy but also provided immediate support to those of the United States, Colombia and Netherlands. We also provided support during the evacuation of civilians from Libya earlier this year. These examples demonstrate that in times of emergency, the UKHO acts and reacts effectively to provide the support needed quickly and flexibly.

Our focus over the last few years to produce world class innovative digital navigation services is clearly visible and we are in the process of ramping up our next phase of the e-Navigator rollout. The e-Navigator Service (our integrated digital catalogue, product viewer and passage planning tool) brings enormous benefit to the mariner ensuring that every stage of passage planning, navigation and fleet management is much smarter, simpler and safer. We will continue to add value to our customers by helping them to manage product delivery and for it to be delivered cost effectively and faster, increasing safety and efficiency.

In the digital market, coverage is key to ensuring the UKHO remains competitive. We are continually expanding the coverage and quality of our Electronic Navigational Charts (ENCs) service by building relationships with foreign government hydrographic offices to extend the Admiralty Vector Chart Service (AVCS) portfolio. In total we now have 3,638 customers of our new digital products which is a growth of 86% compared to last year and AVCS is now used by the majority of SOLAS vessels currently navigating digitally.

The UKHO recognises that throughout the maritime industry the transition to digital is causing uncertainty about coverage, consistency and cost. The UKHO's role is to facilitate that transition; it's not just about providing the product it's about what can we do to help. In January this year UKHO launched a new and unique digital service, the Admiralty Information Overlay (AIO). It provides an overlay, global coverage of the UKHO's Temporary and Preliminary Notices to Mariners and the benefit of the UKHO's assessment of global data.

Looking ahead the UKHO will remain a trading fund of the MoD recognising our public role in supporting the operational effectiveness of Britain's armed forces, as well as fulfilling a vital public service in ensuring that quality information is available to meet defence, national security and commercial requirements.

Finally, but not least, I would like to thank the entire UKHO team for their dedication and commitment over the last year; it is as a result of teamwork, underpinned by our core values, that we achieve our successes.

S G Rogers

Sandra Rogers
Chairman

FOREWORD BY THE CHIEF EXECUTIVE

With regulatory change nearly upon us and early adopters realising the benefits, we are now firmly moving into a new era of digital navigation. It is no longer sufficient just to provide data to get the mariner safely from A to B, they demand intelligent maritime information that also gets them there as efficiently as possible. Consequently, our primary focus this year has been the transition from paper products to electronic navigation.

Our focus on digital has been mirrored by industry's increased focus on the adoption of Electronic Chart Display Information System (ECDIS). As seen over the last few years the strong growth in our ENC sales continues and AVCS, our flagship global ENC service, continues to perform very well with growth of 70% over the last six months of this year alone.

To complement AVCS, the AIO was made available to all users of AVCS in January 2011. The AIO provides our digital customers with the same quality and assurance they have come to expect when using Admiralty paper products.

In December 2010, we launched our new integrated digital catalogue, product viewer and passage planning tool, Admiralty e-Navigator which has received extremely positive feedback. We are now undertaking the rollout across all our distributors and the maritime community, which will continue throughout 2011 and beyond.

We are also increasing our support to users of ENCs through the development of training courses.

Overall, it has been an exceptional year and we have achieved record business levels with sales of £130m representing year on year growth of 11.1% which in turn, together with tight cost control, has delivered record profits of £37.9m. In addition, we have met all (and in most cases exceeded) our Key Targets while we have continued our focus on safety, quality and customer service.

The Royal Navy and our security customers remain our top priority, and the performance of our Defence Maritime Geospatial Intelligence Centre (DMGIC) has been excellent. DMGIC has met all its planned commitments and urgent operational requests including maritime geospatial intelligence support to ongoing UK military operations supporting British interests in the politically unsettled areas of the Middle East and North Africa.

Looking internally, we continue striving to improve employee engagement and this remains our key focus within the organisation as we believe it is essential to achieving our Vision. The key drivers to improve engagement levels are: stronger leadership, better change management, improving the performance review process, and implementing enhanced career development. In this latter respect I am delighted that, towards the end of the year, we rolled out our new Career Level Framework which recognises the technical progress of our people and give them a more defined career path through continuous training and development.

During the year, UKHO has continued its active engagement with the International Hydrographic Organisation (IHO). We have chaired two Regional Hydrographic Commissions and provided continuous support to our international community by chairing or vice-chairing ten of the IHO's key committees or working groups. To strengthen capacity building initiatives we provide ongoing training to our sister hydrographic offices; this year we trained 145 students from 41 countries.

This year our trading fund status has been reviewed as part of the Government's Asset Management Review. The key conclusion of the review was that UKHO should remain an executive agency of the Ministry of Defence and continue to operate as a trading fund.

Looking forward we fully expect the move to digital navigation to accelerate over the next 12 months and beyond and will continue to develop our products to ensure that they serve our customers' needs. We have a clear strategy and solid plans that will drive the UKHO's continued growth and success in the future.

Our priorities over the next 12 to 24 months are: developing our people, increasing IT capability, the ongoing development and rollout of e-Navigator, and improving the efficiency and productivity of our operations division through the implementation of the Operations Transformation programme.

Overall, we have had a very successful year and I would like to thank each and every one of our people for their continued dedication and commitment to making this outstanding achievement possible. The UKHO is a unique organisation of which I am proud to be part; since joining five years ago we have achieved a tremendous amount and I look forward to continuing to lead the organisation through its next period of development.

Mike Robinson
Chief Executive

VISION, MISSION AND OBJECTIVES

Vision

The UKHO's vision is to be the world leader in the supply of hydrographic 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 a balanced scorecard of top-level objectives with associated key performance measures relating to:

- **Objective 1 – Operational support to the Royal Navy and other 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 future operational tasks.

- **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 (MCA), which is the responsible authority for the UK's Treaty obligations; and whose role is to discharge efficiently and effectively those actions required to support the obligations under SOLAS 1974 (as amended and including its protocol of 1998) and to promote hydrographic services.

- **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 from customers outside Government. In doing this, the Government expects the UKHO to develop a robust strategy for exploiting the changing commercial market for hydrographic and related geospatial products and services, especially particular the increasing demand for digital products.

- **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 charts and publications and the unrivalled global coverage under the Admiralty brand. The Admiralty portfolio includes over 3,300 Standard Navigational Charts, over 150 Navigational Publications and a growing number of digital products and services which include the Admiralty Vector Chart Service, the Admiralty Raster Chart Service and , with the addition this year of, E-Navigator.

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 companies around the world. All of these organisations are key stakeholders of the UKHO.

Whilst the UK Defence and commercial maritime fleets represent the core business the UKHO continues to operate in a number of related market segments, namely leisure, law of the sea consultancy services and training.

The UKHO plays a significant part in meeting those UK Government responsibilities in terms of safety of navigation (the International Maritime Organisation's (IMO) Safety of Life at Sea (SOLAS)) including charting obligations and the provision of a 24/7 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 majority of UKHO's sales are made through independent distributors across the world who service the commercial shipping market.

The regulatory and market environment

Aside from meeting the navigational needs of our Defence customers, the UKHO's major target sector comprises vessels operating internationally which are subject to inspection for carriage of official nautical chart and publications compliance as mandated in Chapter V of the SOLAS Regulations. The regulatory regime mandates the use of official (carriage compliant) charts and publications for primary navigation for certain vessels that make up the majority of the commercial fleets with few exceptions. Official information is defined as that published by or on behalf of a government hydrographic office (such as the UKHO) or other relevant government institution.

The IMO has approved the introduction of a mandatory carriage requirement for Electronic Chart Display and Information Systems (ECDIS). Many vessels subject to SOLAS regulations will be required to fit ECDIS in a rolling timetable beginning in July 2012. It will be phased by vessel type and size and will eventually apply to almost all large merchant vessels and passenger ships by July 2018. Currently, general cargo vessels below 10,000 grt are exempt and some vessels due to be taken out of service within 2 years of their implementation date may be exempted by their flag states. In all, around 30,000 of the UKHO's target market will be covered by the mandatory installation of ECDIS. It is expected that this change in regulation will herald the start of a major shift from the use of traditional paper based navigational products to their digital counterparts.

The global economy returned to growth throughout 2010, albeit at a muted pace. This has allowed the shipping industry to return laid-up capacity to the market and begin absorbing the largest delivery of new vessels (both numbers and capacity) in any one year. Nonetheless, the global economy has been set back and demand for shipping is far less than current and forecast capacity, leaving freight rates depressed and operational profitability under pressure. This market volatility increased demand for charts and publications as shipping companies competed for business over wider areas.

Our support to Defence and Security

The MoD is the UKHO's most important customer – receiving not only charts and publications but also a number of specialist services. In addition to these, the Defence customer receives a range of non-navigational products to improve situational awareness and increase operational effectiveness. These range from bespoke mission specific products to more generic environmental data that support operational freedom of manoeuvre. Because of its specialist staff and unique data holdings the UKHO is able to react swiftly to emerging crises and in the last year provided direct support to the MoD to assist in the planning and execution of short notice operations.

Our role within the International Community

The UKHO supports a wide range of international organisations; world wide protection of the environment is one of the themes, besides safety of navigation, which is implicit in the core definition of hydrography. Accordingly, UKHO supports the International Maritime Organization (IMO) in these endeavours. In addition the UKHO supports the International Hydrographic Organization (IHO), in encouraging all coastal states, not only in the requirement to implement appropriate arrangements to promote safety of life at sea, but also in the wider non-navigational use of hydrographic data.

UKHO continues to take a leading role in the development of technical standards and the provision of capacity building assistance. Such capacity building has grown significantly this year, with a total of 145 students from 41 countries being trained by UKHO staff in hydrographic data processing and marine cartography and ENC production. In addition to a dedicated capacity building post within the National Hydrographer's Division, an International Hydrographic Projects Manager has been appointed to provide advice for surveying and marine spatial data infrastructure development.

UKHO continues to work closely with the UK Location Programme (a team within Defra), in establishing and fulfilling our obligations under the EU INSPIRE Directive to make relevant data sets 'discoverable' via both a UK national portal (www.data.gov.uk) and in the longer term through an EU 'geoportal'.

UKHO is also licensing various marine data sets to Defra as it creates a Data Network Initiative to support joined-up cross-government planning considerations. Additionally the Marine Management Organisation (MMO) will have access to this resource in respect of the marine environment.

Development continues of a Data Archive Centre for bathymetric surveys, under the auspices of the Marine Environmental Data and Information Network, with full implementation planned for autumn 2011.

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. Risks associated with the transformation of the business in an increasingly competitive environment inherently carry additional commercial risks, we are focused on identifying and mitigating these risks which include: establishing new capabilities and skills, developing new products and services within relatively tight timescales, the quality of some foreign government ENCs 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 are reviewed regularly and updated 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 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 2010/11 there were no incidents reported where personal data was or could have been compromised.

People

The UKHO will continue to implement improvements for its people, focusing on:

- supporting, recognising and developing our technical experts to both fulfil their career aspirations and meet our longer term skills profile;
- developing leaders and managers who are competent and confident to provide direction, support, challenge and inspire their people;
- making sure that individuals with the talent and potential are given the development
- and experience to achieve senior leadership and management positions in all our divisions.

The average number of days lost through sickness in the year was 8.85 (2009/10: 9.3). Excluding those off with long term illness (defined as more than 3 months) this reduces to 6.02 (2009/10: 6.95).

Admiralty Holdings Limited

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. AHL acquired Admiralty Deutchland GmbH (ADG) in 2005 which in turn owned 100% of the shares in SevenCs GmbH, producer of key software for the display of ENCs on board ship. The Board of AHL have agreed that the activities of this business are not core to the UKHO's future strategy and that the interests of UKHO and ADG would be best served by finding a buyer where there is a better strategic fit. This business is being actively marketed and it is hoped that a sale will be completed later in 2011/12. The Directors are confident that the sale value will be in excess of the current carrying value.

Financial Performance

Income increased in year by 11.1% to £129,505k.

Sales to the MoD totalled £11,746k and MoD sales as a percentage of total UKHO income represented 9.4% of the annual income, (2009/10: £12,379k, 11.2%)

Expenditure in 2010/11, excluding depreciation and the impairment of goodwill was £83,465k, an increase of £2,006k compared with 2009/10.

Operating cashflow generated in 2010/11 was £44,933k, an increase of £18,511k compared with 2009/10. Trade and other receivables at the year end of £26,255k compared with £25,372k in the previous year. Trade and other payables < 1 Year were £33,794k down 5.9% compared with 2009/10.

Capital expenditure in 2010/11 was £2,524k, £4,895k below that of 2009/10. Cash and Cash equivalents totalled £68,556k at the end of March 2011, an increase of £20,070k. Cash is expected to reduce over the next two years as the major change programme projects and associated expenditure reach their peak.

The level of Government Funds increased in 2010/11 by £21,752k to £103,983k.

Dividends and capital

Dividends have been paid to the MoD every year since 1998/99. In the current year the UKHO declared dividend was £18,498k (2009/10: £11,160k) of which £10,000k was paid by year end and the remainder will be paid in July 2011.

KEY PERFORMANCE TARGETS

RESULTS 2010/11

(This section has not been subject to audit)

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 - Safety

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

Status: Achieved

Performance		2010/11	2009/10
Safety Index	Target	**95.0**	95.0
	Actual	**98.6**	98.4

The Safety Index indicates the timeliness and quality of the process for identifying navigationally significant changes in incoming hydrographic source material, and issuing product updates through Notices to Mariners and Electronic Navigational Chart (ENC) updates. The index tracks all delays in this process compared to set Performance Indicators, together with errors that required the publication of a correction. We have achieved Key Target 1 with a Safety Index Score of 98.6.

Key target 2 - Defence

To achieve an Index rating of 95 or higher for the Defence Programme.

Status: Achieved

Performance		2010/11	2009/10
Index rating	Target	**95.0**	95.0
	Actual	**99.5**	99.2

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.

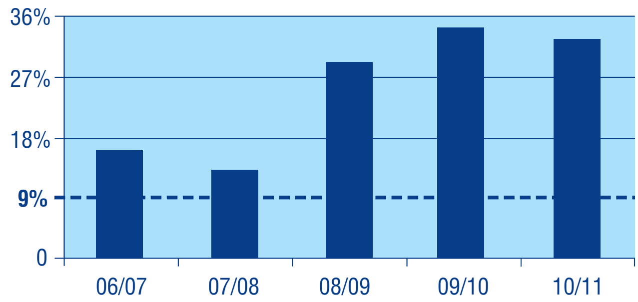
Performance averaged 99.5 over the year.

Key target 3 - Finance

To achieve a Return on Capital Employed of 9% on a 3 year rolling basis ending 2010/11.

Status: Achieved

Return on Capital Employed



The 3-year rolling average of Return on Capital Employed was 32.5% against the target of 9%; this is before exceptional items.

Key target 4 - Organisational Excellence

To achieve at least 75 out of 100 against 10 targets which together reflect a measure of Organisational Excellence.

Status: Achieved

Performance:		2010/11	2009/10
Organisational Excellence	Target	**75.0**	**75.0**
	Actual	**77.5**	**87.5**

Organisational Excellence is assessed across 10 separate measures with each scoring 10 for full achievement and 5 for partial achievement and 0 for failure. One of the measures was further split into two sub-measures with each scoring 5 for full achievement and 2.5 for partial achievement. Achievement of this target was a score of 77.5; four of the measures being partially achieved and one of the sub-measures also being partially achieved.

Key target 5 - Organisational Efficiency and Value for Money

To achieve at least 50 out of 70 against 7 targets which together reflect a measure of Organisational Efficiency.

Status: Achieved

Performance:		2010/11
Efficiency & Value for Money	Target	**50.0**
	Actual	**70.0**

Efficiency & Value for Money is assessed across 7 separate measures with each scoring 10 for full achievement, 5 for partial achievement and 0 for failure.

Achievement of this target was a score of 70.0 with all 7 measures being fully achieved.

KEY PERFORMANCE MEASURES FOR 2011/12

Unlike previous years the focus next year will be less on hitting targets but more about meeting objectives and achieving outcomes. However, as in previous years, our Key Performance Measures will remain aligned with our Top Level Objectives. Where changes have been made, these are indicated below.

Key Performance Measure 1 – Defence

To deliver the Defence Programme achieving an index rating of 95 or higher

Change from prior year: Unchanged

Key Performance Measure 2 – Safety

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

Change from prior year: A Performance Indicator has been added for handling multi-beam surveys.

Key Performance Measure 3 – Finance

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

Change from prior year: Unchanged

Key Performance Measure 4 – Organisational Excellence

To achieve at least 75 out of 100 against 10 outcomes which together reflect a measure of Organisational Excellence

Change from prior year: Overall target unchanged but some of the outcomes have been changed to reflect current priorities.

GOVERNANCE AND STRUCTURE

Statutory Background

The UKHO operates as a Trading Fund within the Ministry of Defence in accordance with Statutory Instrument SI 1996/773. The accounts have been prepared in accordance with the Direction given by HM Treasury on 22nd December 2010 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 the AHL subsidiary undertaking. All the entities are consolidated using the acquisition method and their results are incorporated from/ to 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.

Admiralty Deutschland GmbH was established during 2005 and acquired SevenCs with effect from 1 December 2005. AHL continued to hold all shares in Admiralty Deutschland GmbH.

Under the guidance provided in International Accounting Standard 27: Consolidated and Separate Financial Statements, 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 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 borrowings 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 receivables, trade payables 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 made a £5.1M investment, comprising equity capital, in the acquisition of SevenCs of Hamburg, Germany on 1 December 2005. This is not considered to represent a significant foreign currency exposure risk. 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.

UKHO Owner's Council

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.

UKHO Board

Plans are formulated by a board comprising UKHO executives and non-executives. This board also routinely monitors progress and endorses investment business cases.

AHL

The same governance arrangements apply to AHL, which (for legal reasons) has a separate board structure but many members are the same. Governance of AHL accords with agreed MoD policy. The AHL Board has a non-executive chairman; there is also independent representation on the boards of individual companies.

Membership of the various governance structures is as follows:

Executive Directors

Mike Robinson
Chief Executive

RAdm Nick Lambert
National Hydrographer &
Deputy Chief Executive (Hydrography)

Michael Cauter
Commercial & Finance Director &
Deputy Chief Executive (Corporate)

Richard Brooks
Head of Corporate Services

Ian Moncrieff CBE
Chief Operating Officer

Paul James
Chief Information Officer

David Loosley
Head of Operations & Supply

Non-Executive Directors

Sandra Rogers
Chairman

Capt Vaughan Nail
RN Hydrographer of the Navy

Philippa Childs
Trade Union Representative

Philip Langsdale

Barry Wootton

Emma Davies
Head of MoD Business Strategy &
Governance

UKHO Owner's Council	UKHO Board	Audit Committee	Remuneration Committee	AHL	Membership at 31 March 2011
●	●	*		●	Mike Robinson (Chief Executive)
*	●	*		● #	Michael Cauter (Comercial & Finance Director & Deputy Chief Executive-Corporate) 1
*	●	*		●	Rear Admiral Nick Lambert (UKHO National Hydrographer & Deputy Chief Executive-Hydrography) 2
	●	*	*	●	Richard Brooks (Head of Corporate Services)
	●	*		●	David Loosley (Head of Operations & Production)
	●	*			Ian Moncrieff CBE (Chief Operating Officer-interim) 3
	●	*		●	Paul James (Chief Information Officer)
●	●			●	Sandra Rogers (Chairman)
	●		●	●	Philip Langsdale (Non-Executive Director)
	●	●	●	●	Barry Wootton (Non-Executive Director)
	●	●		● +	Captain Vaughan Nail RN (Captain HM & Hydrographer of the Navy, Non-Executive Director) 4
●	●	●	●	●	Emma Davies (Director of MoD Business Strategy & Governance, Non-Executive Director)
	*				Phillippa Childs (Trade Union Representative)
●					Rt Hon Andrew Robathan MP (Chairman) Parliamentary Under Secretary of State & Minister for Defence Personnel, Welfare & Veterans 5
●					Jon Thompson (MoD Finance Director)
●					Vice Admiral George Zambellas DSC (Deputy Commander in Chief Fleet) 6
●					Major General Jerry Thomas (Assistant Chief of Defence Staff Intelligence Capability)
●					Peter Shortt (Director, Shareholder Executive)
●					Sir Alan Massey (Chief Executive, Maritime & Coastguard Agency) 7
●					Michael Everard CBE (External Advisor Commercial Shipping)

∗ Invited Attendees

\# Company Secretary

\+ Relieved Captain Bob Stewart RN (Captain HM & Hydrography of the Navy, Non-Executive Director) on 27 May 2010

1 Chief Operating Officer to 15 Jun 2010, Commercial & Finance Director from 16 Jun 2010

2 Relieved Rear Admiral Ian Moncrieff CBE (UKHO National Hydrographer & Deputy Chief Executive-Hydrography) on 20 Aug 2010

3 From 29 Nov 2010

4 Relieved Captain Bob Stewart RN (Captain HM & Hydrography of the Navy. Non-Executive Director) on 24 May 2010

5 Replaced Kevan Jones Chairman (Parliamentary Under Secretary of State for Defence & Minister for Veterans) on 6 May 2010

6 Relieved Vice Admiral Richard Ibbotson CB DSC (Deputy Commander in Chief Fleet) on 18 Jan 2011

7 Replaced Peter Cardy (Chief Executive, Maritime & Coastguard Agency) on 20 Jul 2010

Jan Smith Non-Executive Director, member of UKHO board from 1 Mar 2010 to 30 Jul 2010

Jennifer Peart, member of the AHL Board to 27 May 2010

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.

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 three non-executive directors, one of whom chairs the committee, other senior executives attend depending on the 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 £70k for performance of the statutory audit. 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

Mike Robinson
Chief Executive
16 June 2011

REMUNERATION REPORT

Remuneration Policy

Mike Robinson, Chief Executive was appointed on 3 July 2006 on an initial three-year fixed-term contract. His current contract terminates on 2 July 2011. An extension to Mr Robinson's contract has been agreed by the Treasury and is currently being reviewed by the Cabinet Office.

Michael Cauter was appointed on 25 June 2007 on a fixed-term contract. This has been extended by a further two years to 24 June 2012. He was appointed to Deputy Chief Executive Commercial and Finance Director from 16 June 2010.

David Loosley was appointed Head of Operations and Production on 16 April 2007 on an initial three-year fixed-term contract. This has been extended by a further two years to 16 April 2012.

Jennifer Peart joined the UKHO on 7 April 2008 as Interim Head of Products. She was appointed Head of Admiralty Nautical Products and Services on 27 January 2009. She was employed on an initial three year fixed-term contract, but resigned on 30 September 2010.

Rear Admiral Ian Moncrieff retired from the Royal Navy as National Hydrographer with effect 19th August 2010. Ian was appointed interim Chief Operating Officer on 29 November 2010.

Rear Admiral Nick Lambert was appointed as National Hydrographer with effect 19th August 2010.

Richard Brooks was appointed as Head of Transformation Change and Human Resources with effect from 12 November 2007.

Paul James was appointed Chief Information Officer with effect 26th April 2010.

The methods of reviewing the remuneration of the above executives are shown on page 18.

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 2010/11, performance-related pay amounted to 4.3% of salary (2009/10: 3.6%). All pay awards are subject to satisfactory performance. This includes consolidated base pay and non-consolidated bonuses.

Service contracts

The Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code. The Code requires appointments to be on merit based on 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 Chief Executive holds a delegation from the Ministry of Defence for recruitment within the UKHO. The duration of contracts and notice periods are in accordance with the Civil Service Management Code. The duration of contracts are determined by business need and include some Fixed Term Appointments. Compensation on termination of all appointments is in accordance with the Civil Service Compensation Scheme.

The appointments of non-executive directors are in accordance with Ministry of Defence guidelines and the Office of the Commissioner for Public Appointments (OCPA) Code of Practice.

Remuneration Committee

The Remuneration Committee works within MoD and other Government 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 meets frequently during the year and must have a quorum of two. The underlying principle is Executive Directors may not recommend or approve their own reward package. Non-executive directors are fixed term appointees whose remuneration is fixed for each term.

For the selected staff, the committee will:

- recommend the regular review of performance schemes
- 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 Chair of the Committee reports to the Board on its proceedings.

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, 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.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2010-11 relate to performance in 2009-10 and the comparative bonuses reported for 2009-10 relate to the performance in 2008-09.

Remuneration Details

	Notes	2010-11 Salary Band £K	2010-11 Bonus Payments £K	2010-11 Benefits in Kind (to the nearest £100) (Note 6)	2009-10 Salary Band £K	2009-10 Bonus Payments £K	2009-10 Benefits in kind (to the nearest £100) (Note 6)
Mike Robinson	1	**170 – 175**	**20 – 25**	**£20,800**	160 – 165	25 – 30	£15,500
Michael Cauter	1	**120 – 125**	**25 – 30**	**£100**	115 – 120	20 – 25	£700
Rear Admiral Ian Moncrieff CBE (up to 19 Aug 2010)	3	**70 – 75 (105 – 110*)**	**–**	**–**	105 – 110	–	£400
Ian Moncrieff CBE (from 26 Nov 2010)	3	**35 – 40 (105 – 110*)**	**–**	**–**	–	–	–
Rear Admiral Nick Lambert (from 19 Aug 2010)	4	**65 – 70 (105 – 110*)**	**–**	**£100**	–	–	–
David Loosley	1	**100 – 105**	**15 – 20**	**–**	100 – 110	5 – 10	–
Richard Brooks	2	**65 – 70**	**5 – 10**	**£3,600**	65 – 70	5 – 10	£1,600
Paul James (from 26 Apr 2010)	2	**60 – 65 (65 – 70*)**	**–**	**£10,000**	–	–	–
Jennifer Peart (up to 30 Sep 2010)	1 & 5	**45 – 50 (115 – 120)**	**10 – 15**	**£9,000**	100 – 105	–	£18,000
Ian Johnson (up to 31 Dec 2009)		**–**	**–**	**–**	80 – 85 (115 – 120*)	10 – 15	–

* denotes full time equivalent

Notes

1. Salaries are reviewed annually on 1 April in line with provisions applying to special appointments outside the standard Civil Service performance related pay scheme. The Office of Public Service centrally determines the annual increases for these special appointments.

2. The Prime Minister following independent advice from the Review Body on Senior Salaries sets the remuneration of senior civil servants. 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.

3 Rear Admiral Ian Moncrieff was a serving Royal Navy Officer on loan to the UKHO until 18 August 2010. While a serving Officer, his remuneration was in line with his parent service. Ian was appointed interim Chief Operating Officer on 29 November 2010.

4 Rear Admiral Nick Lambert is a serving Royal Navy Officer on loan to the UKHO starting on 19 August 2010. Whilst MoD charges for his services are based on loan capitation rates, the figures above reflect his actual salary. He is remunerated in line with his parent service.

5 Jennifer Peart became a permanent member of staff from 1 April 2009. A performance related bonus of up to 40% of her salary will be payable for meeting on target delivery rising to 50% of salary against the achievement of stretch targets, she resigned her post on 30 September 2010.

6 Benefits in kind primarily reflect payments for the provision of temporary accommodation in Taunton and weekend travel home. Meals provided in the pursuance of official business activities are also reflected. These figures represent gross taxable values. The tax liability is met by the UKHO.

Pension Benefits

(This section has been subject to audit)

	Accrued benefits *		Real increase in benefits		CETV 31-Mar-11	CETV 31/03/2010 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	5 – 10	Note c	0 – 2.5	Note c	115.0	86.0	16.0
Michael Cauter	5 – 10	Note c	0 – 2.5	Note c	72.0	48.0	16.0
David Loosley	5 – 10	Note c	0 – 2.5	Note c	66.0	47.0	12.0
Richard Brooks	20 – 25	70 – 75	(0 – 2.5)	(2.5 – 5)	316.0	311.0	(22)
Jennifer Peart (Up to 30 Sept 10)	0 – 5 Note b	Note c	0 – 2.5	Note c	32.0	19.0	10.0
Paul James (from 26 Apr 10)	10 – 15	35 – 40	0 – 2.5	2.5 – 5	222.0	184.0	26.0
Ian Moncrieff CBE	0 – 5	Note c	0 – 2.5	Note c	12.0	0.0	10.0

* as at 31st March 2011

Notes

a. Pension and lump sums are as at pension age.

b. Notional pension figures – member does not have two years service to qualify for a pension.

c. No automatic lump sum payable as member is in the Premium/Nuvos scheme.

d. None of the above are members of partnership pension schemes.

e. The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations.

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 (RPI). Members who joined from October 2002 could 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 for service before 1 October 2002 calculated broadly as per 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 immediately after the scheme year end, the accrued pension is updated in line with Pension increase Legislation. 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 member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

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 2011 were as follows:

a. Sandra Rogers was appointed on a three-year contract commencing 15 July 2005. She was appointed as acting chair with effect 1 November 2009. Following open competition Sandra has been appointed as Chair for an initial term of 3 years ending on 30 April 2014.

b. Barry Wootton was appointed on a three-year contract commencing 3 July 2006. This has been extended for a further three years from 3 July 2009.

c. Philip Langsdale was appointed on a three-year contract commencing 11 July 2007. This has been extended until July 2011.

d. Jan Smith was appointed on a three-year contract commencing 1 March 2010 her appointment was terminated on 30 July 2010 by mutual agreement between the two parties.

e. Captain Bob Stewart RN was appointed with effect from 1 August 2007 in his capacity as Hydrographer of the Navy. Captain Bob Stewart retired on 23 May 2010.

f. Captain Vaughan Nail was appointed with effect from 24 May 2010 in his capacity as Hydrographer of the Navy and will retain his position whilst in that post.

Fees paid to non-executive directors were as follows:

	Notes	**2010-11**	2009-10	**Partnership Pension 2010-11**	**Partnership Pension 2009-10**
		£K	£K	**£K**	**£K**
David Palmer (Up to 30 Oct 2010)	1	**-**	35 - 40	-	-
Sandra Rogers	2	**35 - 40**	30 - 35	6.2	4.7
Barry Wootton		**15 - 20**	15 - 20	-	-
Phillip Langsdale		**15 - 20**	15 - 20	-	-
Jan Smith		**5 - 10**	0 - 5	-	-
(up to 29 Jul 2010)		**(15 - 20*)**	(15 - 20*)		
Captain Bob Stewart RN	3	**-**	-	-	-
Captain Vaughan Nail	3				
Emma Davies	3	**-**	-	-	-

* denotes annual equivalent

Notes

1. An ex-gratia payment of £13,333 is included in the 2009-10 total.
2. In this instance, UKHO contributes to a partnership pension by the amount shown. This is in addition to the fees paid.
3. Captain Bob Stewart RN was a serving Royal Navy Officer retiring on 23 May 2010. Captain Vaughan Nail is a serving Royal Navy Officer. His appointment on 24 May 2010 is made in conjunction with his responsibilities as Hydrographer of the Navy. Emma Davies represents MoD BSG. They do not receive separate remuneration in undertaking these duties.

Mike Robinson

Mike Robinson
Chief Executive
16 June 2011

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 in *Managing Public Money*.

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 the challenges faced by the business as the market it serves moves from largely paper based products to digital products.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of UKHO's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control has been in place in the UKHO for the year ended 31st March 2011 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

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 to the Accounting Officer that, to the best of their knowledge, risks have been adequately identified and managed through the implementation of appropriate controls. This forms part of a wider assurance statement covering the integrity and accuracy of performance reports; maintenance of effective controls in relation to the delivery of business objectives, security (physical and data), financial propriety and fraud prevention; conduct of UKHO business; management of internal audit recommendations; identification of contingent liabilities and compliance with staff reporting requirements including the provision of appropriate business skill capabilities.

The risk management policy sets out the responsibilities of the Board, Executive Committee, Audit Committee and business risk owners.

All employees have on-line access to the business risk management policy and guidance in the identification and mitigation of risk. This sets out clear accountabilities and a structured process for identifying, assessing, communicating and managing risks. The policy and guidance is updated at least annually. Staff are supported by a Business Risk Manager who provides guidance and training to staff as necessary.

All identified risks are assessed and ranked. A risk owner is assigned to each risk and has the authority to allocate risk management tasks to specific owners. Executive decision papers contain a section on key risks.

During the year Internal Audit reviewed the UKHO risk management processes and assessed the organisation's risk maturity against a Treasury model. The outcome of this audit was moderate assurance.

To ensure that the business responds to changes in risk profile the corporate risk register is reviewed by the Executive Committee monthly and by the Board quarterly. The Audit Committee also reviews the corporate risk register annually and in addition receives, at each quarterly meeting, a report from heads of divisions on a rotational basis. Heads of divisions review the risks within their divisions quarterly.

A measure of effective Risk Management was included in Key Target 4 – Organisational Excellence during 2010/11; this measure was achieved. Managers and staff directly involved in risk management have personal objectives which focus on risk management.

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 (SONAC), chaired by a non-executive director,
- Sample quality checks by the Nautical Products Review Team,
- 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 Board undertakes monthly reviews based on total financial performance against budgets and forecasts. Budget holders carry out monthly reviews of revenues and spend in their areas of responsibility. Forecasts are in turn updated quarterly.

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 programme and project management disciplines, investment appraisal, risk assessment and formal scrutiny by the UKHO Programme Review Board. The Programme Office further improves governance and oversight of 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 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.

UKHO is bound to operate its commercial function in accordance with relevant administrative, policy and regulatory requirements. Management regularly reviews its commercial strategy and ensures procurement accountabilities are clearly defined.

The principles of ISO9001:2008 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. Our adherence to these principles is evidenced by our successful recertification during the year.

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.

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 the 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, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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 the National Audit Office (NAO) and Internal Audit. A representative from Defence Internal Audit (DIA) attends periodically and receives all Audit Committee papers to provide assurance to Permanent Under-Secretary of State (PUS) that adequate audit arrangements, compliant with Government Internal Audit Standards, are in place.

The Audit Committee considers and approves the coverage of the Internal Audit programme and this is flexed to address risks arising during the year. The UKHO Board and the Audit Committee are aware of the major challenge of maintaining a consistent and improving internal control framework in a period of major change. The activities of the Internal Audit programme take into account challenges and ensure focus is given where there is the greatest perceived risk. Internal Audit for 2010/11 was contracted out to Price Waterhouse Coopers, 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, which arise from both internal and external audit recommendations, are reported to, and monitored by, the Executive Committee and are reviewed periodically by the Audit Committee and the UKHO Board.

During the year the UKHO has been working towards achieving level 2 of the Information Assurance Maturity Model and achievement was confirmed at an audit in March 2011.

UKHO staff have completed mandatory Information Assurance training inline with current MoD policy. During the year work to identify Information Assets and Information Asset Owners has been completed. It is the intention to take the UKHO to level 3 of the Information Assurance Maturity Model by the end of 2011/12.

Significant Internal Control Issues

I do not believe there are any issues that represent significant internal control issues. However two specific areas of concern require attention: IT access controls and project management. Control weaknesses in these areas, while I do not consider them significant, are receiving management attention to ensure controls are improved quickly.

Mike Robinson
Accounting Officer and Chief Executive
16 June 2011

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

In May 2010, the Government made a commitment to speed up the payments process of Public Sector Organisations with the aim to pay at least 80% of suppliers within 5 days. This compared to the previous target of 10 days introduced from October 2008. The UKHO adopted this as policy from 3 May 2010. From this date to the year end at 31 March 2011, 87.9% of undisputed invoices were paid with the revised target. Performance against the previous target of 10 days for the whole year was 95.3% (2009/10: 96.6%) of undisputed invoices that were paid within the stipulated timeframe. The principles of the "Better Payment Procedure Code" have been observed. A summary of these are contained in "Managing Public Money".

Euro Conversion Preparation

No additional expenditure has been incurred during 2010/11 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 multicurrency 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 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. A bi-annual staff survey is supplemented by a monthly 'staff barometer', results of which are reported to the Board. 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 is committed to increasing recycling facilities on site, reducing 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. Over 70% of office waste was sent for recycling (and over 90% of Production Waste was recycled), some of the highest rates in the public sector. The UKHO continues to encourage cycling to work, providing regular bicycle servicing sessions at no cost to staff and car sharing continues to be encouraged. Energy saving measures such as double-glazing windows and low-energy lightbulbs make the most of our older buildings, while the newer ones have Energy Performance Certificates.

The UKHO is very involved with local education, with staff giving their time to reading and mentoring schemes at schools in Taunton, and provides Work Experience placements for local school children. It also hosts the thriving local Sea Cadet unit, which provides opportunities for young people in the Taunton area. A UKHO charity is chosen every year, 2010 seeing almost £14,000 being raised for Somerset & Dorset Air Ambulance. The UKHO charity for 2011 is the Children's Hospice South West

These are in addition to the environmental activities the UKHO supports in the international arena referred to in the Management Commentary section of this report.

STATEMENT OF UNITED KINGDOM HYDROGRAPHIC OFFICE AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under section 4(6)(a) of the Government Trading Funds Act 1973 HM Treasury has directed the United Kingdom Hydrographic Office to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction issued on 22nd December 2010. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency 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 Accounting Officer for the Hydrographic Office Trading Fund. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Hydrographic Office's assets, 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 consolidated financial statements of the UK Hydrographic Office for the year ended 31 March 2011 under the Government Trading Funds Act 1973. These comprise the Consolidated and Trading Fund Statements of: Comprehensive Income, Changes in Taxpayers' Equity, Financial Position, Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

As explained more fully in the Statement of the UK Hydrographic Office and Chief Executive's Responsibilities, the UK Hydrographic Office and Chief Executive are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, examine and certify the financial statements in accordance with the Government Trading Funds Act 1973. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the UK Hydrographic Office's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the UK Hydrographic Office; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on Regularity

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

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the UK Hydrographic Office's Group and Trading Fund's affairs as at 31 March 2011 and of the Group and Trading Fund's profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973; and
- the information given in the Chairman's Statement, Foreword by the Chief Executive, Vision Mission and Objectives, Management Commentary, Governance Structure and the unaudited part of the Remuneration Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas Morse
Comptroller and
Auditor General
21 June 2011

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

THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2011

	Note	2010/11 £K	2010/11 £K Discontinued Operation	2010/11 £K Total	2009/10 £K	2009/10 £K Discontinued Operation	2009/10 £K Total
Group Income	4	**124,922**	**4,583**	**129,505**	110,863	5,755	116,618
Change in inventories of finished goods and WIP		**(67)**	**0**	**(67)**	67	0	67
Materials and other external charges		**(5,610)**	**(1,702)**	**(7,312)**	(6,520)	(1,558)	(8,078)
Staff costs	3	**(44,187)**	**(2,011)**	**(46,198)**	(43,186)	(2,879)	(46,065)
Depreciation and impairment	6a	**(6,993)**	**(62)**	**(7,055)**	(7,345)	(116)	(7,461)
Other operating charges	6b	**(29,888)**	**0**	**(29,888)**	(26,900)	(483)	(27,383)
Profit on ordinary activities before interest		**38,177**	**808**	**38,985**	26,979	719	27,698
Trading Fund Rationalisation	7	**(316)**	**0**	**(316)**	7,079	0	7,079
Profit on ordinary activities before interest and after exceptionals		**37,861**	**808**	**38,669**	34,058	719	34,777
Loss on sale of discontinued operation		**0**	**0**	**0**	0	(412)	(412)
Interest receivable and similar income (Group)	8	**142**	**2**	**144**	124	12	136
Interest payable and similar charges	9	**(938)**	**0**	**(938)**	(981)	0	(981)
Profit on ordinary activity before tax		**37,065**	**810**	**37,875**	33,201	319	33,520
Taxation	10	**0**	**1**	**1**	0	3	3
Net Profit		**37,065**	**811**	**37,876**	33,201	322	33,523
Dividend		**(18,498)**	**0**	**(18,498)**	(11,160)	0	(11,160)
Retained profit for the financial year		**18,567**	**811**	**19,378**	22,041	322	22,363
Other Comprehensive Income							
Revaluation of non current assets		**2,620**	**0**	**2,620**	(1,494)	0	(1,494)
Foreign Exchange Changes		**(8)**	**0**	**(8)**	(15)	0	(15)
		2,612	**0**	**2,612**	(1,509)	0	(1,509)
Total Comprehensive Income		**21,179**	**811**	**21,990**	20,532	322	20,854

a. The Discontinued Operation relates to Admiralty Deutschland GmbH being held for sale. Please see note 1G.

The notes on pages 38 to 61 form part of these accounts.

TRADING FUND STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2011

	2010/11 £K	2009/10 £K
Income	**125,339**	111,289
Change in inventories of finished goods and WIP	**(68)**	67
Materials and other external charges	**(5,725)**	(6,935)
Staff costs	**(44,187)**	(43,187)
Depreciation and impairment	**(6,992)**	(7,344)
Other operating charges	**(29,854)**	(27,378)
Profit on ordinary activities before interest	**38,513**	26,512
Trading Fund Rationalisation	**(316)**	7,079
Profit on ordinary activities before interest and after exceptionals	**38,197**	33,591
Interest receivable and similar income	**371**	383
Interest payable and similar charges:	**(938)**	(981)
Net Profit	**37,630**	32,993
Dividend	**(18,498)**	(11,160)
Retained profit for the financial year	**19,132**	**21,833**
Other Comprehensive Income		
Revaluation of non current assets	**2,620**	(1,494)
	2,620	(1,494)
Total Comprehensive Income	**21,752**	20,339

The notes on pages 38 to 61 form part of these accounts.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

	Note		2010/11 £K	2009/10 £K
Non-current assets:				
Intangible Assets	11A	**23,373**		25,522
Property Plant & Equipment	11D	**29,991**		29,665
Total non-current assets			**53,364**	55,187
Current Assets:				
Assets held for Sale	1G	**745**		2
Inventories	13	**1,971**		1,907
Trade and other receivables	14	**26,255**		25,372
Cash and Cash Equivalents (Note a)		**68,556**		48,486
Total current assets			**97,527**	75,767
Total assets			**150,891**	130,954
Current liabilities;				
Liabilities of assets held for sale	1G		**(829)**	0
Trade and other payables < 1 Year	15		**(33,794)**	(35,786)
Long term borrowings	17		**(742)**	(538)
Provisions	16		**(3,168)**	(2,531)
Total current liabilities			**(38,533)**	(38,855)
Non current assets plus net current assets			**112,358**	92,099
Non-current liabilities;				
Provisions	16		**(2,249)**	(3,395)
Long term borrowings	17		**(8,108)**	(8,693)
Total non-current liabilities			**(10,357)**	(12,088)
Assets less Liabilities			**102,001**	80,011
Taxpayers' equity:				
Trading Fund				
Public dividend capital			**13,267**	13,267
Revaluation reserve			**15,474**	12,197
Profit and loss account			**75,242**	56,767
Total government taxpayers' equity			**103,983**	82,231
Admiralty Holdings Limited				
Profit and loss account			**(1,982)**	(2,220)
Total taxpayers' equity			**102,001**	80,011

a. This includes the cash and cash Equivalents figure for Admiralty Deutschland GmbH of 1.1 million.

The notes on pages 38 to 61 form part of these accounts.

Mike Robinson
Chief Executive
16 June 2011

TRADING FUND STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

	Note		**2010/11 £K**	2009/10 £K
Non-Current Assets;				
Intangible Assets	11B	**23,373**		25,493
Property Plant & Equipment	11E	**29,991**		29,568
Total non-current assets			**53,364**	55,061
Investment	12		**3,387**	3,159
Current Assets				
Assets held for sale		**0**		2
Inventories	13	**1,971**		1,899
Trade and other receivables	14	**26,332**		24,666
Cash and Cash Equivalents		**66,976**		47,224
Total current assets			**95,279**	73,791
Total assets			**152,030**	132,011
Current liabilities;				
Trade and other payables < 1 Year	15		**(33,780)**	(34,797)
Long term borrowings	17		**(742)**	(538)
Provisions	16		**(3,168)**	(2,531)
Total current liabilities			**(37,690)**	(37,866)
Non current assets plus net current assets			**114,340**	94,145
Non-current liabilities				
Provisions	16		**(2,249)**	(3,221)
Long term borrowings	17		**(8,108)**	(8,693)
Total non-current liabilities			**(10,357)**	(11,914)
Assets less Liabilities			**103,983**	82,231
Taxpayers' equity:				
Public dividend capital			**13,267**	13,267
Revaluation reserve			**15,474**	12,197
Profit and loss account			**75,242**	56,767
Total taxpayers' equity			**103,983**	82,231

The notes on pages 38 to 61 form part of these accounts.

Mike Robinson
Chief Executive
16 June 2011

CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2011

	Profit and Loss Reserve £K	Revaluation Reserve £K	Public Dividend Capital £K	Total Reserves £K
Balance at 1/4/10	**54,547**	**12,197**	**13,267**	**80,011**
Changes in equity for 2010/11:				
Other Comprehensive Income				
Revaluation of non current assets		2,620		
Transfer between reserves, realisation of revaluation surplus	497	(497)		
Reclassification adjustment (Note a)	(1,154)	1,154		
Foreign Exchange Changes	(8)			
	(665)	3,277		
Net Income for the period	37,876			
Total Recognised income and expense for the period	37,211	3,277	0	0
Public dividend capital dividend	(18,498)			
Balance at 31/3/11	**73,260**	**15,474**	**13,267**	**102,001**

a. The Reclassification above refers to an adjustment made to the realisation of revaluation surplus from previous years' calculations.

The notes on pages 38 to 61 form part of these accounts.

TRADING FUND STATEMENT OF CHANGES IN TAXPAYERS EQUITY FOR THE YEAR ENDED 31 MARCH 2011

	Profit and Loss Reserve £K	Revaluation Reserve £K	Public Dividend Capital £K	Total Reserves £K
Balance at 1/4/10	**56,767**	**12,197**	**13,267**	**82,231**
Changes in equity for 2010/11:				
Other Comprehensive Income				
Revaluation of non current assets		2,620		
Transfer between reserves, realisation of revaluation surplus	497	(497)		
Reclassification adjustment (Note a)	(1,154)	1,154		
	(657)	3,277		
Net Income for the period	37,630			
Total Recognised income and expense for the period	36,973	3,277	0	0
Public dividend capital dividend	(18,498)			
Balance at 31/3/11	**75,242**	**15,474**	**13,267**	**103,983**

a. The Reclassification above refers to an adjustment made to the realisation of revaluation surplus from previous years' calculations.

The notes on pages 38 to 61 form part of these accounts.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011

	Note	**2010/11 £K**	**2010/11 £K Discontinued Operation**	**2010/11 £K Total**	2009/10 £K	2009/10 £K Discontinued Operation	2009/10 £K Total
Net Cash Flow from operating activities	20	**44,637**	**296**	**44,933**	26,422	44	26,466
Cash flows from investing activities							
Investments		**0**	**0**	**0**	73	0	73
Interest received		**135**	**3**	**138**	153	12	165
Purchase of property, plant and equipment		**(1,389)**	**56**	**(1,333)**	(6,273)	31	(6,242)
Purchase of intangible assets		**(1,191)**	**0**	**(1,191)**	(1,146)	0	(1,146)
Receipts from sale of subsidiary		**0**	**0**	**0**	125	0	125
Net cash outflow from investing activities		**(2,445)**	**59**	**(2,386)**	(7,068)	43	(7,025)
Cash flows from financing activities							
Repayment of long term loan		**(381)**	**0**	**(381)**	(496)	0	(496)
Dividend paid on public dividend capital		**(21,158)**	**0**	**(21,158)**	(4,363)	0	(4,363)
Interest paid	9	**(938)**	**0**	**(938)**	(981)	0	(981)
Net Cash outflow from financing activities		**(22,477)**	**0**	**(22,477)**	(5,840)	0	(5,840)
Net financing							
Net Increase in cash and cash equivalents in the period		**19,715**	**355**	**20,070**	13,514	87	13,601
Cash and Cash equivalents at beginning of year		**47,275**	**1,211**	**48,486**	33,761	1,124	34,885
Cash and Cash equivalents at end of year		**66,990**	**1,566**	**68,556**	47,274	1,211	48,485

The notes on pages 38 to 61 form part of these accounts.

TRADING FUND STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011

	2010/11 £K	2009/10 £K
Net Cash Flow from operating activities	**44,757**	26,047
Cash flows from investing activities		
Investments	**0**	198
Interest received	**135**	123
Purchase of property, plant and equipment	**(1,295)**	(5,651)
Purchase of intangible assets	**(1,368)**	(1,145)
Proceeds of disposal of property, plant & equipment	**0**	(23)
Net cash outflow from investing activities	**(2,528)**	(6,498)
Cash flows from financing activities		
Repayment of long term loan	**(381)**	(496)
Dividend paid on public dividend capital	**(21,158)**	(4,363)
Interest paid	**(938)**	(981)
Net Cash outflow from financing activities	**(22,477)**	(5,840)
Net financing		
Net Increase in cash and cash equivalents in the period	**19,752**	13,709
Cash and Cash equivalents at beginning of year	**47,224**	33,515
Cash and Cash equivalents at end of year	**66,976**	47,224

The notes on pages 38 to 61 form part of these accounts.

1. ACCOUNTING POLICIES

A. Basis of Accounting

These financial statements have been prepared in accordance with the Direction given by HM Treasury on 22nd December 2010 in pursuance of section 4(6)(a) of the Government Trading Funds Act 1973. The accounting policies contained in the IFReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the IFReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the UKHO for the purpose of giving a true and fair view has been selected. The particular policies adopted by UKHO are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

Under the guidance provided in International Accounting Standard IFRS3 – Business Combinations and IAS27 – Consolidated and Separate Financial Statements, the UKHO is preparing consolidated accounts on the basis that it exercises control 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 its subsidiary undertaking. 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 subject to an annual impairment review.

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. Income

Income 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 4). Exceptionally, they may be accrued but income is singular where work is complete and there is certainty of future payment. Segmental reporting is provided in Note 5 of the Accounts in accordance with IFRS 8 Operating Segments.

D. Provision for Sales Credits

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

E. Non Current 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 lives of between 2 and 5 years.

Development Expenditure

Internal development expenditure is capitalised only if it meets the recognition criteria of IAS 38 'Intangible Assets'. Where the criteria are not met the expenditure is recognised in the income statement. Where the recognition criteria are met intangible assets are recorded at cost and capitalised and amortised on a straight-line basis over their useful economic lives from the date economic benefit starts to be derived.

All intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. Any impairment losses are recognised immediately in the income statement.

The following factors are considered in estimating useful lives:

- expected use of the asset;
- the effects of obsolescence, changes in demand, competing products and other economic factors, including the stability of the market and known technological advances.

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

For internally generated software (inc. databases and websites) to be recognised as assets, these intangibles must either generate economic benefits or deliver services direct to the customer such that use of the intangible by the customer replaces, reduces or otherwise negates the need for manual performance of that service.

All development expenditure has been revalued as at 31 March 2011 through the application of appropriate indices:

- Intangible Assets – Development Costs IT COMMS. These are published annually by DASA (Defence Analytical Services and Advice)

Goodwill

External goodwill is determined following a fair value assessment of net assets acquired on the acquisition of a business. Goodwill will be subject to an annual impairment test together with an impairment review if there are indicators of impairment. It tests if events or changes in circumstances indicate that the carrying values may not be recoverable.

Property, Plant & Equipment

Land and Buildings were professionally valued at 1 April 2009 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. The valuation suggested an increase in the carrying value of land to £9,400k and of buildings to £21,031k. Due to the current economic downturn, the condition of a number of the buildings on the UKHO site and the Board's plans to invest in the site in future years to upgrade the working environment, the directors do not wish to take the full increase in value at this time and as a result have increased only the land valuation to the full £9,400k. All assets, with the exception of the wholly owned subsidiaries, have been revalued as at 31 March 2009 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 Property, Plant & Equipment and intangible assets are capitalised by the UKHO at cost where the value of discrete items exceeds £1,000 excluding VAT. Improvements need to show "future economic benefit" before they are capitalised. 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.

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 that are bespoke to the UKHO and 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. Non Current Assets held for sale

IFRS 5 Non current Assets held for Sale and Discontinued Operations sets out the requirements for the classification, measurement and presentation of non-current assets held for sale and replaces IAS35 Discontinued Operations.

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale when the sale is highly probable and the asset is available for immediate sale in its present condition. Assets are reclassified only when management are committed to the sale and the sale is expected to be completed within a year. Assets identified as held for sale are reclassified as current assets and depreciation ceases from the date of reclassification.

The non current asset held for sale relates to the sale of Admiralty Deutschland GmbH (ADG). The Board of AHL have agreed that the activities of this business are not core to the UKHO's future strategy and that the interests of UKHO and ADG would be best served by finding a buyer where there is a better strategic fit. This business is being actively marketed and it is hoped that a sale will be completed later in 2011/12. The Director's are confident that the sale value will be in excess of the current carrying value.

H. Inventories and Work in Progress

Raw material inventory is valued at the lower of cost or net current replacement cost. Finished goods inventory 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 inventories.

I. Hydrographic Data

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 is of limited value to the UKHO.

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

J. 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.

K. 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.

L. Insurance

UKHO carries commercial insurance for professional indemnity, motor insurance to cover third party liability for its own and hire cars, buildings and computers, Directors and Officers liability in line with HM Treasury guidelines which allows for this if cost effective. It carries its own risks in respect of all other insurable risks. 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.

M. 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 IAS 38 "Intangible Assets" 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.

N. Foreign Currencies

Assets and liabilities denominated in a foreign currency are translated at the rate(s) of exchange ruling as at 31 March 2011. Transactions are recorded at the rate(s) ruling at the time of the transaction. Exchange differences are taken to the Income Statement. Assets, liabilities, and results of overseas subsidiaries are translated at the rate(s) ruling at 31 March 2011. Exchange differences arising are recognised in reserves.

O. Investments

In accordance with Treasury rules, funds surplus to immediate requirements of £1,000k or more are deposited with the Debt Management Office for a minimum of 7 days. Immediate cash requirements are held in an interest bearing bank account.

P. 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.

Q. Treatment of 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.

R. Treasury Discount Rate

The Pensions Discount rate of 1.8% has been used for early retirement and the provisions rate of 2.2% for all other provisions.

S. Liquid Resources

For the purposes of the Statement of Cashflows, all amounts deposited with the Debt Management Office have been treated as liquid resources in line with IAS 7 "Statement of Cashflows".

T. Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at 31 March 2011 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 31 March 2011. 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 31 March 2011, 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 31 March 2011. Deferred tax is measured on a non-discounted basis.

U. Treatment of Finance Leases as a Lessor

The UKHO is participating in the cycle purchase scheme which is a salary sacrifice scheme through which employees are provided with equipment 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 statement of financial position "Current Assets – Trade and other receivables" 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 Statement.

V. Financial Instruments

We are accounting for financial instruments within IFRS 7 and IAS39.

The UKHO has reviewed all its material contracts for embedded derivatives. While embedded derivatives were identified, they were all deemed to be closely related to the host contract and hence no separate valuation was required.

Trade and other receivables

All receivables, including trade and VAT receivables, staff loans and advances are classified as Loans and receivables and are initially recognised at fair value (plus transaction costs) and subsequently at amortised cost. Discounting is relevant to those receivables and loans which carry no rate of interest or a subsidised rate. However, the UKHO's receivables that are due within 1 year are not discounted on the grounds of materiality. Provisions are only made for specific bad debts.

Our loan investments to AHL are classed as financial assets and have been impaired in 2008/09 for the investment in Seven Cs.

Trade and other payables

Liabilities covering trade payables, accruals, VAT, tax, and loans are classified as other liabilities and are initially recognised at fair value (plus transaction costs) and subsequently at amortised cost. This applies to those liabilities carrying a nil or a subsidised rate of interest. On the grounds of materiality, the UKHO's liabilities falling due within 1 year are not discounted.

Cash and cash equivalents

UKHO invest cash deposits with the Debt Management Office (DMO); each deposit is at a fixed rate of interest until the deposit is returned. These are recognised initially at fair value net of transaction costs and subsequently at amortised cost under the effective interest rate.

W. IFRSs, Amendments and Interpretations in issue but not yet affective or adopted

IAS8, Accounting Policies, Changes in Accounting Estimates and Errors, require disclosures in respect of new IFRSs, amendments and interpretations that are, or will be applicable after the reporting period. There are a number of IFRSs, amendments and interpretations that have been issued by the International Accounting Standards Board that are effective for financial statements after this reporting period. **The following have not been adopted early by the United Kingdom Hydrographic Office.**

IFRS 9 Financial Instruments

A new standard intended to replace all of the requirements of IAS39. This is aimed to improve the usefulness for users of financial statements by simplifying the classification and measurement for financial instruments. The effective date is for accounting periods beginning on, or after 1 January 2013.

IFRS 10 Consolidated Financial Statements & IFRS 12 Disclosure of Involvement with Other Entities

A new standard intended to replace both IAS 27 and SIC 12. It is aimed to develop a single consolidation model applicable to all entities that would be based on the concept of control and improve disclosures of consolidated and unconsolidated entities. The effective date is for accounting periods beginning on, or after 1 January 2013.

IFRS 13 Fair Value Measurement

A new standard intended to establish a single source of guidance for all fair value measurements required or permitted by IFRSs to reduce complexity and improve Consistency. The effective date is for accounting periods beginning on, or after 1 January 2013.

IAS 1 Presentation of Financial Statements (Other Comprehensive Income)

Amendments to the existing standard to improve the usefulness of the financial information provided to assist management to better communicate its financial information to users. To be completed in three phases. The effective date is for accounting periods beginning on, or after 1 January 2012.

IAS 17 Leases

Amendments to the existing standard to develop a new single approach to lease accounting that would ensure that all assets and liabilities arising under lease contracts are recognised in the statement of financial position. The effective date has yet to be confirmed.

IAS 18 Revenue Recognition

A new Standard is to be published to clarify the principles for recognising revenue from contracts with customers. The effective date has yet to be confirmed.

IAS24 Related Party Disclosures

Amendments to the existing standard; amending the definitions of a related party and providing an exemption from disclosure requirements for transactions between entities controlled, jointly controlled or state-controlled entities. The effective date is for accounting periods beginning on, or after 1 January 2011.

IAS 31 Joint Ventures

An amendment to the existing standard where accounting options will be eliminated and the structure of an arrangement will no longer be the most significant factor in determining the accounting. The effective date has yet to be confirmed.

IFRIC 14 Prepayments of a Minimum Funding Requirement

An amendment to an existing interpretation which are aimed at correcting an unintended consequence of IFRIC 14. The effective date is for accounting periods beginning on, or after 1 January 2011.

In addition, the following are changes to the FReM, which will be applicable for accounting periods beginning on 1 April 2011:

Chapter 2 Contents

Reinstatement of True and Fair Override Provision applying the principles set out in IAS 1 Preparation of Financial Statements.

Chapter 6 Tangible non-current assets

Amendment to IAS 20 Accounting for Capital Government Grants where there was a misalignment in accounting treatment of capital non-exchange transactions.

Chapter 11 Income and Expenditure

Accounting for tax credits

None of these changes to the FReM are anticipated to have a future material impact on the financial statements of the group.

2. STAFF NUMBERS AND RELATED COSTS

Staff Numbers

The average number of staff (including agency staff) during the year was made up as follows:

	2010/11	2009/10
Operations	**423**	436
Print and supply	**120**	135
Marketing	**73**	68
Support	**419**	408
Sub Total UKHO	**1,035**	1,047
SeaZone (Note a)	**-**	20
Admiralty Deutschland GmbH	**39**	40
	1,074	1,107
Civil Servants	**945**	960
Agency Staff	**84**	82
Service Personnel	**6**	5
Subsidiaries	**39**	60
	1,074	1,107

a. Admiralty Holdings Ltd sold its subsidiary company, SeaZone Solutions Limited on 23 March 2010.

Of these staff, 33 permanent staff and 15 agency staff were employed on capital projects during the year.

Salary

Total staff costs (including agency staff) for the year were as follows:

	2010/11 £K	2009/10 £K
Salaries, wages etc.	**30,414**	30,164
Social security costs	**2,831**	2,784
Pension costs	**5,604**	5,636
Agency staff costs	**6,399**	6,641
Service personnel costs	**950**	840
	46,198	46,065

£2,584k was capitalised as staff costs that were engaged in capital projects during the year. (2009/10: £3,800k).

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 2010/11, the applicable pension rates were as follows:

Scheme and Annual Salary Bands to which rates apply	**%**
PCSPS - Band 1 - £21,000 and under	16.7
PCSPS - Band 2 - £21,001 to £43,000	18.8
PCSPS - Band 3 - £43,001 to £74,000	21.8
PCSPS - Band 4 - £74,001 and over	24.3

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 2008. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2010/11, employers' contributions of £5,604k were payable to the PCSPS (2009/10 £5,604k) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2011/12, the rates will be in the range 16.7% to 24.3% . For 2011/12, our estimate of contributions expected to be paid into the plan is £5,635k

The contribution rates are set to meet the cost of the benefits accruing during 2010/11 to be paid 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 £32.3k 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% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, Employer contributions of £2.3k, 0.8% 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 statement of financial position date were £4.8k. There were no prepaid contributions at that date.

The total additional accrued pension liability for 2009/10 was £2,474.

3. CIVIL SERVICE EXIT PACKAGES

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total Number of exit packages by cost band	
	2010/11	2009/10	**2010/11**	2009/10	**2010/11**	2009/10
	*	*	*	*	*	*
< £10,000	**0**	0	**0**	0	**0**	0
£10,000 - £25,000	**0**	0	**...**	10	**...**	10
£25,000 - £50,000	**0**	0	**...**	...	**...**	...
£50,000 - £100,000	**0**	0	**...**	10	**...**	10
£100,000 - £150,000	**0**	0	**...**	10	**...**	10
£150,000 - £200,000	**0**	0	**0**	...	**0**	...
£200,000 - £250,000	**0**	0	**0**	...	**0**	...
£250,000 - £300,000	**0**	0	**0**	...	**0**	...
£300,000 - £350,000	**0**	0	**0**	...	**0**	...
Total Number of exit packages	**0**	0	**10**	30	**10**	30
	£K	£K	**£K**	£K	**£K**	£K
Total cost	**0**	0	**510**	3,630	**510**	3,630

* Numbers are rounded to the nearest ten and numbers less than five are represented by "..."

Exit costs are accounted for in full in the year of departure. These costs include lump sums and annual compensation payments which are paid each year until they retire.

The above does not include ex-gratia costs.

4. INCOME

	2010/11 **£K**	2009/10 £K
Sales to the Ministry of Defence	**11,746**	12,379
Commercial sales	**113,176**	98,447
AHL	**0**	45
SeaZone (Note a)	**0**	1,446
Admiralty Deutschland GmbH (Note b)	**4,583**	4,301
Total Income	**129,505**	116,618

a. Admiralty Holdings Ltd sold its subsidiary company, SeaZone Solutions Limited on 23 March 2010.

b. Admiralty Deutschland GmbH has been classified as a discontinued operation.

5. OPERATING SEGMENTS

	Commercial 2010/11 £K	Defence 2010/11 £K	**Total 2010/11 £K**	Commercial 2009/10 £K	Defence 2009/10 £K	**Total 2009/10 £K**
Revenue	120,200	9,305	**129,505**	105,926	10,692	**116,618**
Cost of Sales	(24,649)	(1,593)	**(26,242)**	(21,513)	(1,948)	**(23,461)**
Gross Profit	95,551	7,712	**103,263**	84,413	8,744	**93,157**
Margin %	79%	83%	**80%**	80%	82%	**80%**
Unallocated overheads			**(64,278)**			**(65,459)**
Profit on ordinary activities before interest			**38,985**			**27,698**
Loss on sale of discontinued operation			**0**			**(412)**
Trading fund rationalisation			**(316)**			**7,079**
Interest expense			**(938)**			**(982)**
Interest income			**144**			**137**
Taxation			**1**			**3**
Net Profit			**37,876**			**33,523**
Dividend			**(18,498)**			**(11,160)**
Retained Profit for the financial year			**19,378**			**22,363**

Sales revenue by geographical market

	2010/11 £K	2009/10 £K
United Kingdom	**43,997**	44,519
Other Countries	**85,508**	72,099
Total Revenue	**129,505**	**116,618**

Information about major customers

Revenues from two customers (three customers in 2009/10) exceeded 10% of the UKHO's total revenues.

	Commercial 2010/11 £K	Defence 2010/11 £K	**Total 2010/11 £K**	Commercial 2009/10 £K	Defence 2009/10 £K	**Total 2009/10 £K**
Customer 1	14,827	0	**14,827**	12,616	0	**12,616**
Customer 2	13,645	0	**13,645**	12,880	0	**12,880**
Customer 3	0	0	**0**	1,752	10,627	**12,379**

6. PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST

Profit on ordinary activities before interest of £38,985k (2009/10 £27,698k) is stated after charging:

	2010/11	2009/10
	£K	£K
Depreciation/amortisation - owned assets	**6,898**	7,278
Loss on disposal of non-current assets	**147**	24
Impairment	**10**	159
a Depreciation and impairment	**7,055**	7,461
Operating leases: office machinery (Note a)	**9**	17
Professional fees	**73**	883
Research and development (Note b)	**814**	1,279
External auditor's remuneration (Note c)	**102**	144
Travel, training and entertainment expenses	**2,670**	1,460
Materials and services (Note b)	**6,916**	5,904
Utilities and other estates operating costs	**5,740**	4,263
Computing and office machines	**3,697**	3,591
Royalties payable	**9,867**	9,842
b Other operating charges	**29,888**	27,383

(a) An analysis of future operating lease commitments is shown below:-

	Within 1 year	**Between 1 and 5 years**	**After 5 years**
	£K	**£K**	**£K**
Building	100	0	0
Vehicles	10	39	49
Office Equipment	18	2	0
	128	**41**	**49**

The UKHO has a two-year building lease expiring in 2012/13. Vehicles are leased under the MoD White Fleet contract, a ten-year contract which expired in 2010/11. We are currently in discussion for suitability on this contract. All other equipment is leased from commercial suppliers on two-three year contracts.

(b) Re-alignment of prior year research and development to materials and services.

(c) Auditor's remuneration includes fees for both UKHO and AHL companies. The NAO audit fee is £70k (2009/10: £73k).

7 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 plans for a net reduction in posts of between 200 and 250 over a five year period commencing 2007/08. Since this announcement these plans have been adjusted to reflect the growing requirement to invest efficiency savings back into the business to support a range of evolving requirements not initially planned for, these include supporting our growing digital business by 24/7 support to our customers, expanding the capability of our sales force and assessing all electronic navigational charts to ensure the same standard as our paper based series and improving the currency of our products. It is expected that the planned savings will ultimately be made but over a longer period and this in turn means that the reductions can be managed through natural staff turnover and retirement. The provision as at 31 March 2011 is £1,776k to cover committed early release costs. The remaining provision has been discounted at 1.8%.

8 INTEREST RECEIVABLE AND SIMILAR INCOME

This relates to interest receivable from investments in the Debt Management Office, short-term deposits held in an interest bearing bank account and interest charges on overdue payments. Interest from investments in the Debt Management Office constitutes the majority of interest receivable. Interest received and receivable has arisen from financial assets classified as loans and loan receivables. These are primarily short-term investments held at fixed interest rates.

9 INTEREST PAYABLE AND SIMILAR CHARGES

	Note	**2010/11 £K**	2009/10 £K
a. Interest paid to the MoD in respect of the long-term loan		**762**	805
b. Unwinding of the discount and movement on provision for early retirements and rationalisation	16	**176**	177
		938	982

Interest paid and payable has arisen from financial liabilities classified as other liabilities measured at amortised cost. This is primarily interest payable on the MoD borrowings.

10 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 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.

Tax Reconciliation

	2010/11 £K	**2010/11 £K**	2009/10 £K
Profit on Ordinary Activities Before Tax		**37,875**	**33,520**
Less UKHO Profit	(37,630)		
Add AHL Loss	36		
AHL Investment	229		
		(37,365)	(33,185)
		510	335
Write back of goodwill	(478)		
Losses carried back	(3)		
Other tax adjustments	(32)		
		(513)	(345)
Taxable Profit		**(3)**	**(10)**
Tax Rate %		**32.275%**	32.275%
Taxable Expense 2010-11		**(1)**	**(3)**

11A. CONSOLIDATED INTANGIBLE NON-CURRENT ASSETS

Cost or Valuation:	Software Licences £K	Development Software £K	Assets under Construction £K	Goodwill SeaZone £K	Goodwill SevenCs £K	Total £K
At 1 April 2009	14,487	14,891	440	8	1,038	30,864
Additions	310	846	7,856	0	0	9,012
Reclassification	10	0	0	0	0	10
Disposals	(156)	0	0	(8)	0	(164)
Revaluation	0	25	0	0	0	25
Impairment	0	(155)	0	0	0	(155)
At 31 March 2010	**14,651**	**15,607**	**8,296**	**0**	**1,038**	**39,592**
At 1 April 2010	14,651	15,607	8,296	0	1,038	39,592
Additions	498	877	448	0	0	1,823
Disposals	0	(308)	0	0	0	(308)
Reclassification-held for sale	(109)	0	0	0	(1,038)	(1,147)
Revaluation	0	472	0	0	0	472
At 31 March 2011	**15,040**	**16,648**	**8,744**	**0**	**0**	**40,432**
Amortisation:						
At 1 April 2009	6,457	2,419	0	8	1,038	9,922
Charged	2,132	2,123	0	0	0	4,255
Reclassification	10	0	0	0	0	10
Disposals	(109)	0	0	(8)	0	(117)
At 31 March 2010	**8,490**	**4,542**	**0**	**0**	**1,038**	**14,070**
At 1 April 2010	8,490	4,542	0	0	1,038	14,070
Charged	1,993	2,295	0	0	0	4,288
Reclassification-held for sale	(85)	0	0	0	(1,038)	(1,123)
Disposals	0	(176)	0	0	0	(176)
At 31 March 2011	**10,398**	**6,661**	**0**	**0**	**0**	**17,059**
Net Book Value:						
At 31 March 2011	**4,642**	**9,987**	**8,744**	**0**	**0**	**23,373**
At 31 March 2010	6,161	11,065	8,296	0	0	25,522

11B. TRADING FUND INTANGIBLE NON-CURRENT ASSETS

Cost or Valuation:	Software Licences £K	Development Software £K	Assets under Construction £K	Total £K
At 1 April 2009	14,249	14,892	439	29,580
Additions	288	846	7,857	8,991
Revaluation	0	25	0	25
At 31 March 2010	**14,547**	**15,608**	**8,296**	**38,451**
At 1 April 2010	14,547	15,608	8,296	38,451
Additions	493	876	448	1,817
Disposals	0	(308)	0	(308)
Revaluation	0	472	0	472
At 31 March 2011	**15,040**	**16,648**	**8,744**	**40,432**
Amortisation:				
At 1 April 2009	6,321	2,419	0	8,740
Charged	2,085	2,123	0	4,208
Disposals	0	0	0	0
At 31 March 2010	**8,416**	**4,542**	**0**	**12,958**
At 1 April 2010	8,416	4,542	0	12,958
Charged	1,982	2,295	0	4,277
Disposals	0	(176)	0	(176)
At 31 March 2011	**10,398**	**6,661**	**0**	**17,059**
Net Book Value:				
At 31 March 2011	**4,642**	**9,987**	**8,744**	**23,373**
At 31 March 2010	6,131	11,066	8,296	25,493

Under the cost model, the opening book value of development software as at 1 April 2010 was £11,763k and the carrying value at 31 March 2011 was £9,941k.

11C. ANALYSIS OF INTANGIBLE NON-CURRENT ASSETS

Project	Description	Carrying Value 31/Mar/11 £K	Remaining Amortisation Period (Months)
Development Software			
Hydrographic Database (HDB) / Chart Production Tools (CPT)	A structured store of vector hydrographic data from which a variety of products may be drawn.	2,758	33
Maritime Data Project	The development of global, digital, vector based data and service capability.	3,626	84
Digital Licensing Project	Replacement licensing and permit creation system to manage ENC order processing.	283	21
Admiralty Vector Chart Service (AVCS)	AVCS brings together Electronic Navigational Charts (ENCs) from National Hydrographic offices around the world and new ENC coverage produced by UKHO in co-operation with foreign governments to provide comprehensive, official, worldwide coverage.	2,790	84
		9,457	
Software Licences			
HDB Software	A structured store of vector hydrographic data from which a variety of products may be drawn.	2,804	33
CPT Software	Products production software	882	33
		3,686	

The disclosure above shows individual intangible assets that are material to the UKHO's financial statements.

11D. CONSOLIDATED PROPERTY, PLANT AND EQUIPMENT

Cost or Valuation:	Freehold Land £K	Buildings £K	Plant & Machinery £K	Furniture & Fittings £K	Information Technology £K	Assets under Construction £K	Total £K
At 1 April 2009	9,400	24,536	7,372	1,277	8,491	3,603	54,679
Additions	0	0	108	0	734	(2,896)	(2,054)
Reclassification	0	0	0	0	(10)	0	(10)
Disposals	0	0	(54)	(327)	(624)	0	(1,005)
Revaluation	270	(1,817)	28	0	0	0	(1,519)
Impairment	0	0	(4)	0	0	0	(4)
Reclassification-held for sale	0	0	(83)	0	0	0	(83)
At 31 March 2010	**9,670**	**22,719**	**7,367**	**950**	**8,591**	**707**	**50,004**
At 1 April 2010	9,670	22,719	7,367	950	8,591	707	50,004
Additions	0	0	498	0	667	(265)	900
Disposals	0	0	(659)	(453)	(413)	0	(1,525)
Revaluation	272	1,909	(33)	0	0	0	2,148
Impairment	0	(10)	0	0	0	0	(10)
Reclassification-held for sale	0	0	83	0	(423)	0	(340)
At 31 March 2011	**9,942**	**24,618**	**7,256**	**497**	**8,422**	**442**	**51,177**
Depreciation:							
At 1 April 2009	0	7,252	4,024	745	6,350	0	18,371
Charged	0	818	1,022	168	1,003	0	3,011
Reclassification	0	0	0	0	(10)	0	(10)
Disposals	0	0	(47)	(327)	(578)	0	(952)
Reclassification-held for sale	0	0	(81)	0	0	0	(81)
At 31 March 2010	**0**	**8,070**	**4,918**	**586**	**6,765**	**0**	**20,339**
At 1 April 2010	0	8,070	4,918	586	6,765	0	20,339
Charged	0	924	718	121	847	0	2,610
Disposals	0	0	(646)	(453)	(411)	0	(1,510)
Reclassification-held for sale	0	0	81	0	(334)	0	(253)
At 31 March 2011	**0**	**8,994**	**5,071**	**254**	**6,867**	**0**	**21,186**
Net Book Value:							
At 31 March 2011	**9,942**	**15,624**	**2,185**	**243**	**1,555**	**442**	**29,991**
At 31 March 2010	9,670	14,649	2,449	364	1,826	707	29,665

11E. TRADING FUND PROPERTY, PLANT AND EQUIPMENT

Cost or Valuation:	Freehold Land £K	Buildings £K	Plant & Machinery £K	Furniture & Fittings £K	Information Technology £K	Assets under Construction £K	Total £K
At 1 April 2009	9,400	24,536	7,372	1,275	8,004	3,602	54,189
Additions	0	0	106	0	718	(2,895)	(2,071)
Reclassification	0	0	0	0	(10)	0	(10)
Disposals	0	0	(54)	(326)	(499)	0	(879)
Revaluation	270	(1,817)	28	0	0	0	(1,519)
Impairment	0	0	(4)	0	0	0	(4)
Reclassification-held for sale	0	0	(83)	0	0	0	(83)
At 31 March 2010	**9,670**	**22,719**	**7,365**	**949**	**8,213**	**707**	**49,623**
At 1 April 2010	9,670	22,719	7,365	949	8,213	707	49,623
Additions	0	0	498	0	624	(265)	857
Disposals	0	0	(659)	(453)	(413)	0	(1,525)
Revaluation	272	1,909	(33)	0	0	0	2,148
Impairment	0	(10)	0	0	0	0	(10)
Reclassification-held for sale	0	0	83	0	0	0	83
At 31 March 2011	**9,942**	**24,618**	**7,254**	**496**	**8,424**	**442**	**51,176**
Depreciation:							
At 1 April 2009	0	7,252	4,024	743	6,028	0	18,047
Charged	0	818	1,022	168	946	0	2,954
Reclassification	0	0	0	0	(10)	0	(10)
Disposals	0	0	(47)	(326)	(482)	0	(855)
Reclassification-held for sale	0	0	(81)	0	0	0	(81)
At 31 March 2010	**0**	**8,070**	**4,918**	**585**	**6,482**	**0**	**20,055**
At 1 April 2010	0	8,070	4,918	585	6,482	0	20,055
Charged	0	924	718	121	795	0	2,558
Disposals	0	0	(645)	(453)	(411)	0	(1,509)
Reclassification-held for sale	0	0	81	0	0	0	81
At 31 March 2011	**0**	**8,994**	**5,072**	**253**	**6,866**	**0**	**21,185**
Net Book Value:							
At 31 March 2011	**9,942**	**15,624**	**2,182**	**243**	**1,558**	**442**	**29,991**
At 31 March 2010	9,670	14,649	2,447	364	1,731	707	29,568

12. INVESTMENTS

	Consolidated £K	Trading Fund (Note a) £K
Analysis of Loans		
1 April 2010	0	3,159
Movement in Year	0	228
Net Book Value 31 March 2011	**0**	**3,387**

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.

Holdings of more than 20%

UKHO prepares consolidated accounts under the guidance provided in IAS 27: Consolidated Financial Statements. 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	Shares held Class	%	Capital £K	Profit / (loss) £K
Subsidiary undertakings					
Admiralty Holdings Ltd	England	Ordinary	100	3,045	(266)
Admiralty Deutschland GmbH	Germany	Ordinary	100	2,926	510
Admiralty Hydrogaphic Asia Pacific Pte Ltd	Singapore	Ordinary	100	1	0
Admiralty Ltd	England	Ordinary	100	1	0
Admiralty Charts Ltd	England	Ordinary	100	1	0
Admiralty Consultancy Ltd	England	Ordinary	100	1	0
Admiralty Digital Ltd	England	Ordinary	100	1	0
Admiralty Marine Ltd	England	Ordinary	100	1	0
Admiralty Overseas Ltd	England	Ordinary	100	1	0
Admiralty Sea Law Ltd	England	Ordinary	100	1	0
Admiralty Services Ltd	England	Ordinary	100	1	0
Admiralty Ventures Ltd	England	Ordinary	100	1	0

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

13. INVENTORIES

	2010/11 £K Consolidated	2010/11 £K Trading Fund	2009/10 £K Consolidated	2009/10 £K Trading Fund
Materials	**445**	**445**	459	452
Work in Progress	**138**	**138**	71	71
Finished inventories	**1,388**	**1,388**	1,377	1,376
	1,971	**1,971**	1,907	1,899

14. TRADE AND OTHER RECEIVABLES

	2010/11 £K Consolidated	2010/11 £K Trading Fund	2009/10 £K Consolidated	2009/10 £K Trading Fund
Falling due within one year				
Trade receivables	**20,166**	**20,166**	20,099	19,646
Other receivables	**289**	**446**	188	46
Prepayments & accrued income	**5,787**	**5,707**	5,069	4,958
Net investments & finance leases	**13**	**13**	16	16
	26,255	**26,332**	25,372	24,666
Analysis of Total Receivables				
Other central Government bodies	**2,567**	**1,751**	3,519	2,613
Public Corporations & Trading Funds	**34**	**0**	34	0
Intra-government balances	**2,601**	**1,751**	3,553	2,613
Bodies external to Government	**23,654**	**24,581**	21,819	22,053
	26,255	**26,332**	25,372	24,666

15. TRADE AND OTHER PAYABLES < 1 YEAR

	2010/11 Consolidated £K	**2010/11 Trading Fund £K**	2009/10 Consolidated £K	2009/10 Trading Fund £K
Trade payables	**2,023**	**2,023**	494	372
Other taxation and social security	**767**	**767**	804	804
Other payables	**4**	**4**	98	1
Accruals and other deferred income	**22,502**	**22,488**	23,230	22,460
Proposed dividend	**8,498**	**8,498**	11,160	11,160
	33,794	**33,780**	35,786	34,797

Analysis of Total Payables

Other central Government bodies	**11,316**	**11,316**	12,569	12,569
Public Corporations and Trading Funds	**0**	**0**	5	5
Intra-government balances	**11,316**	**11,316**	12,574	12,574
Bodies external to Government	**22,478**	**22,464**	23,212	22,223
	33,794	**33,780**	35,786	34,797

16. PROVISIONS

	Balance at 1 April 2009	Charged to Operating Cost	Unwinding of discount	Applied	Reclassification	Balance at 31 March 2010
	£K	£K	£K	£K	£K	£K
Current liabilities						
Provision for sales credits	**2,247**	3,094	0	(2,810)	0	**2,531**
	2,247	3,094	0	(2,810)	0	**2,531**
Non-current liabilities						
Provision for early retirement	**874**	(12)	19	(357)	0	**524**
Provision for rationalisation	**11,603**	(7,195)	255	(2,130)	0	**2,533**
Provision for royalties	**135**	0	3	0	26	**164**
Provision for pension	**143**	31	0	0	0	**174**
	12,755	(7,176)	277	(2,487)	26	**3,395**

	Balance at 1 April 2010	Charged to Operating Cost	Unwinding of discount	Applied	Reclassification	Balance at 31 March 2011
	£K	£K	£K	£K	£K	£K
Current liabilities						
Provision for sales credits	**2,531**	4,445	0	(3,855)	0	**3,121**
Provision for legal	**0**	47	0	0	0	**47**
	2,531	4,492	0	(3,855)	0	**3,168**
Non-current liabilities						
Provision for early retirement	**524**	9	17	(226)	0	**324**
Provision for rationalisation	**2,533**	225	81	(1,063)	0	**1,776**
Provision for royalties	**164**	(4)	5	(29)	13	**149**
Provision for pension	**174**	0	0	0	(174)	**0**
	3,395	230	103	(1,318)	(161)	**2,249**

Provision for Sales Credits

A provision is made against current sales in respect of future credits for superseded inventories 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 2011/12.

Provision for Legal

This relects the provision for a personal injury claim that has been brought against the UKHO. It is expected the provision will be fully applied during 2011/12.

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 1.8%. The provision will be fully applied by 2014/15.

Provision for Rationalisation

See Note 7

Provision for Royalties

These royalties have been reclassified from an accrual into a provision. These amounts refer to bilateral agreements with other Hydrographic Offices that are not yet finalised that will probably result in a legal obligation to pay future royalties.

17. LONG-TERM BORROWINGS

Analysis of repayments	2010/11 Consolidated £K	2010/11 Trading fund £K	2009/10 Consolidated £K	2009/10 Trading fund £K
Current liabilities				
Within 1 year	**742**	**742**	538	538
	742	**742**	538	538
Non-current liabilities				
Between 1 and 2 years	**635**	**635**	585	585
Between 2 and 5 years	**2,248**	**2,248**	2,071	2,071
After 5 years	**5,225**	**5,225**	6,037	6,037
	8,108	**8,108**	8,693	8,693
Total Long-Term Borrowings	**8,850**	**8,850**	9,231	9,231

18. FINANCIAL INSTRUMENTS

IAS 39, 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 IAS 39 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 UKHO in undertaking its activities.

As permitted by IAS 39, receivables and payables which mature or become payable within 12 months from the statement of financial position date have been omitted from the currency profile if deemed immaterial.

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 exposed to significant interest-rate risk. There is no sensitivity analysis provided on this risk because all financial liabilities are subject to fixed rates.

Foreign currency risk

The UKHO's trading exposure to foreign currency risk is not significant. Of a £7.1m investment in AHL, which excludes provisions, approximately £5.1m was invested in the acquisition of SevenCs, £3.8m was impaired in 2008/09 and the remaining balance is reviewed for impairment on an annual basis. Both the capital and interest payments are exposed to foreign currency fluctuations. A sensitivity analysis is not disclosed as assets and liabilities at the statement of financial position date expressed in foreign currency are not deemed to be material.

Fair values

The fair value of borrowings provided to the UKHO is assessed at £6,838k as at 31 March 2011, discounted applying the National Loans Fund rate for equivalent term annuity loans as at that date of 4.26%. The current value of all our financial instruments are considered to equate to fair value at the 31 March 2011.

Financial Instruments

IFRS 7,Financial Instruments – Disclosures, requires the UKHO to provide disclosures in respect of the role of financial instruments on performance during the period, the nature and extent of the credit risks to which the UKHO is exposed and how these risks are managed. For each type of credit risk arising from financial instruments, the UKHO is also required to provide summary quantitative data about its exposure to the credit risk at the reporting date.

The UKHO is subject to some credit risk. The carrying amount of receivables, which is net of impairment losses (bad debt provision), represents the maximum exposure to credit risk which also includes cash. Trade and other receivables consist of a large number of diverse customers spread over a diverse geographical area. Receivables are impaired where there is sufficient knowledge to indicate that recovery is improbable including the probability that customers will enter bankruptcy or financial reorganisation, that the customer is facing financial difficulties or that economic conditions are likely to lead to non-payment. All outstanding financial assets which remain within their credit terms at 31 March 2011 primarily relate to established customers whose credit worthiness has been subject to regular review and gives no cause for concern regarding full future settlement. The table below provides details of receivables beyond the due date and impairments made:

Significant Accounting Policies

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

Receivables beyond the due date	0 - 3 months	3 - 6 months	6-12 months	Over 12 months	Total
	£K	£K	£K	£K	£K
Receivables beyond the due date - not impaired	19,380	46	10	339	19,775
Receivables beyond the due date - impaired	0	0	0	(107)	(107)
Gross receivables total	19,380	46	10	232	19,668
Bad debt provision	0	0	0	(107)	(107)
Net total receivables beyond the due date	**19,380**	**46**	**10**	**125**	**19,561**

Categories of Financial Instruments

Please refer to Note 1 accounting policies for details of the financial assets and liabilities

	Carrying Value 31 March 2011	Carrying Value 31 March 2010
	£K	£K
Financial Assets		
Loans and receivables (including cash and cash equivalents)	**93,520**	73,183
	93,520	73,183
Financial Liabilities		
Other financial Liabilities	**42,644**	45,017
	42,644	45,017

The UKHO has no exposure to the following classes of financial instruments: collateral-financial assets pledged as security for financial liability, compound financial instruments, loan defaults & breaches and hedge accounting.

19. CAPITAL COMMITMENTS

	2010/11 Consolidated £K	2010/11 Trading Fund £K	2009/10 Consolidated £K	2009/10 Trading Fund £K
Contracted capital commitments not otherwise included in these accounts:				
Property, plant & equipment	**653**	**653**	0	0
Intangible assets	**2,869**	**2,869**	600	600
Total capital commitments	**3,522**	**3,522**	600	600

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

	2010/11 £K	2009/10 £K
Consolidated profit on ordinary activities before interest and and after exceptionals	**38,669**	34,777
Depreciation & amortisation	**6,898**	7,278
Impairment	**10**	0
Loss on sale and disposal of non-current assets	**147**	24
(Increase)/Decrease in inventories	**(64)**	120
(Increase) in receivables	**(883)**	(2,513)
Increase/(Decrease)in payables	**665**	(4,145)
(Decrease) in provisions	**(509)**	(9,076)
Consolidated net cash inflow from operating activities	**44,933**	26,465

21. CONTINGENT LIABILITIES

A contingent liability exists in relation to a personal injury claim that has been brought against the UKHO. The maximum liability should we fail in our defence has been estimated as no more than £30,000.

22. LOSSES AND SPECIAL PAYMENTS

During the year there were unrecoverable trade receivables of £14,757 (2009/10: £10,218). There have been no write-offs in respect of fruitless payments and unrecoverable overpayments to staff (2009/10: 0 for both) together with no special severance payments in year (2009/10: £0).

23. 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: The wife of an executive member of the UKHO Board was an employee of KPMG during the year. The executive member of the UKHO Board was excluded from all related competitions. During 2010/11 payments made to KPMG totalled £99,415 (2009/10: £219,688).

The spouse of a senior manager is the UK representative of the IIC Technologies Group with whom the UKHO contract various outsourced production activities. Some of the officers' managers are responsible for the day to day operation of this relationship. The manager concerned does not approve any payments to the company and has not been involved in any contract negotiations or commitments with the company. During 2010/11 payments made to IIC Technologies totalled £923,480 (2009/10: £1,853,771).

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 Police Guarding Agency – 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 HR & Corporate Services – 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.

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.

24. 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 for laying before parliament) on 21 June 2011.

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