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United Kingdom
Hydrographic Office

Annual Report and Accounts
2012/13

Contents

THE UNITED KINGDOM
HYDROGRAPHIC OFFICE

ANNUAL REPORT AND ACCOUNTS
2012/2013

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as amended by the Government Trading Act 1990

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CHAIRMAN'S MESSAGE

Market conditions and impact

The shipping market is experiencing its toughest downturn for 50 years and the impact of this has been particularly visible in our underlying sales of paper charts.

Although the global economic downturn started in 2008/09, its effect was not apparent until this year. This delay was driven by 3 factors:

- Where ships laid-up "hot," they remained compliant with flag state and port regulations and kept their charts up-to-date.
- Vessels also started looking for new business on different routes and this increased chart demand. They also stocked-up charts and publications for areas where they might travel to gain business.
- There was also a three-year backlog of new vessel orders in shipyards. This has now cleared and new build delivery rates have reduced markedly.

These factors drove up sales but the effects are now reversing, shipping is returning to its pre-boom patterns and we are seeing a secular change in buying behaviour. Cost cutting within the industry has hit all aspects of spend and the fewer new ships delivered are taking smaller initial outfits than before.

Key achievements

None of this diminishes our abiding commitment to delivering the most reliable compliant navigation products and services for improving safety at sea. This year we committed to increase the number of Flag States recognising Admiralty Digital Publications (ADP) as equivalent to the traditional paper version. We now have approval from 19 of the 30 largest flag states and in total, 67 flag states have approved ADP, covering over 77% of the world's internationally trading ships. We have introduced 3 new publications and a computer based training package supporting the mariner in the practical art of digital navigation.

In addition to product improvements this year and the continued growth of Admiralty Vector Chart Service (AVCS), we have stepped up the business-to-business services we provide to our distributors. Following a successful pilot of Print on Demand (POD) we launched this service for our global distribution channel in March and 47 of our distributors have signed up to this.

Our Hydrographic Database (HDB), which will be used to house geospatial datasets and form the basis for our complete product portfolio, has developed significantly this year. From 1 April 2013 all UK primary charting will be produced from HDB.

Since 2007, as part of our contribution to society, we have annually supported a nominated local charity and raised £60,000. In 2013, we will support another; "Freewheelers", who provide free out-of-hours motorcycle courier service to hospitals in south west England. We also continue to support local sea cadets, a "right-to-read" scheme and local community newsletter printing service.

All our success and reputation in everything we do is attributed to the dedication, loyalty and eclectic talent of our employees. I thank them all for this remarkable support in what are times of constant change and public service wage restraint; it is testimony to their collective focus on our customers first and foremost.

Forthcoming changes

Looking to the future we will continue to leverage our wide product range in an increasingly digital age and to respond to the changing needs of our customers and end users.

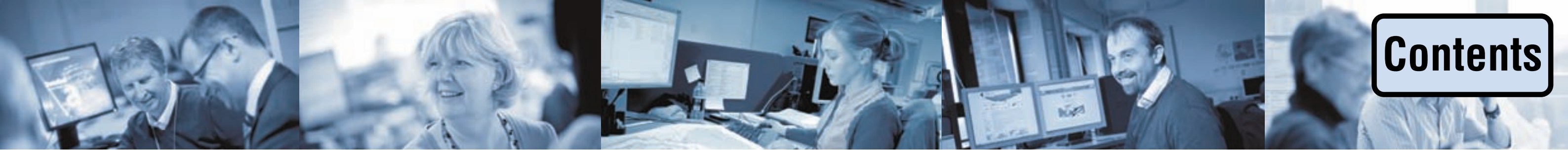
Future opportunities

Next year will be an exciting year of further change. We will continue to invest in new technology, streamline our processes, develop and train our people and begin to realise the benefits of our new production systems for efficiency and new offerings.

I have confidence in our strategic direction and believe that Ian Moncrieff and our team in Taunton have a winning approach.

S G Rogers

Sandra Rogers
Chairman



FOREWORD BY THE CHIEF EXECUTIVE

Alongside our data sources, our people remain our greatest asset and critical to our success. Technical ability onsite in Taunton is second to none. Expertise of colleagues in all areas of hydrographic data processing and assessment contributes to international work and is sought in capacity building. We are not however complacent and further development of this team at an organisational and individual level with skills for the digital age remains a cornerstone of our strategy. Three years ago we implemented a career level framework (CLF) to support progression of our technical staff and will apply for external accreditation for this scheme this year. For our cartographic specialists, we have rolled out a new technical training package to refresh their skills and align with new ways of working. To improve our working environment while achieving value for money from our existing estate we are continuing to modernise our buildings. Safety and wellbeing of our people remains a key focus, we run a well subscribed health screening programme and for the second year running, we received a Royal Society for the Prevention of Accidents Gold Award.

To develop leadership at all levels we have implemented the Civil Service learning framework supplemented by bespoke training. To develop our aspiring senior leaders and improve our succession “bench strength” we run a fast track development programme “Embark”. Re-launched last year, it is exceeding expectations for internal talent management. We have also made secondments to other areas of industry as part of this scheme.

Despite the unrelenting tempo of change on all fronts including that coming from our MoD owner and the Civil Service wide pay freeze, our employee engagement score remains within the top quartile of the Civil Service People Survey: 17 out of 97.

Our Defence Maritime Geospatial Intelligence Centre (DMGIC) delivers bespoke geospatial intelligence products to the Royal Navy (RN), wider Defence customers and other National Security partners. We are committed to improving the value of this output. We have met our targets for support to National Security and Defence as our prime customer; delivery this year included proactive support to Olympic Games security and to contingent operations in Libya. Our new series of anti-piracy planning products have also extended this year and have been made commercially available.

As reported in our chairman’s message, the shipping industry has experienced a difficult year with the slowdown in global economic trading conditions. This has been manifest in a decline in underlying paper chart sales. We want our end-users to remain safe and compliant in navigation and are looking at innovative ways to assist them and our distributors in obtaining all their ongoing paper needs at lower cost. Despite the difficult market conditions, sales of AVCS continue to remain ahead of budget. Our 3 new publications to support electronic navigation have all sold well and we will be responding to the market demand for more ADP this coming year, especially with the increased recognition of equivalence by flag states for their carriage.

Notwithstanding these tough trading conditions we have remained profitable with an operating profit of £23m, ROCE of 28.5% and an accumulated taxpayer equity of £135m since inception as a Trading Fund in April 1996.

We retain a global distribution network and Admiralty Fleet Manager is our main business-to-business conduit. The launch of POD provides our channel with new flexibility to print all Admiralty charts locally as required. We shall continue to develop and enhance this new and exciting service.

As part of our continuing commitment to supporting the mariner in the digital age we have run 15 workshops around the world and reached over 700 delegates of which 450 were shipping company representatives. Our new publications and computer based training has further complemented these initiatives.

Verification and assessment of data within our navigational products is the distinctive assurance we provide for all ENCs which are taken into AVCS. The output from this assessment forms the backbone for our Admiralty Information Overlay (AIO), a unique safety service originally developed for our RN. This is now widely available through our Admiralty e-Navigator Planning Station and a number of leading manufacturers navigation systems. We will continue to enhance and promote the importance of AIO together with our products and services in our duty of care to the mariner and safety of life at sea (SOLAS). As an ex-mariner and National Hydrographer I am passionate about this.

Ian Moncrieff, CBE
Chief Executive

MANAGEMENT COMMENTARY

History

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

Description of the business

Our strength traditionally lies in our universally trusted portfolio of charts and publications and the unrivalled global coverage of our Admiralty brand. Our Admiralty portfolio includes over 3,300 standard navigational charts, over 150 navigational publications and a growing number of digital products and services. The latter includes the AVCS, as an offering to meet the changing legislative carriage compliance criteria for SOLAS shipping, the Admiralty Raster Chart Service and e-Navigator.

We use data from the RN and Maritime and Coastguard Agency (MCA) surveys, from foreign hydrographic offices and from other sources, such as ports and shipping companies around the world. These organisations are key stakeholders.

Whilst the UK Defence and global commercial maritime fleets represent our core business, we continue to operate in a number of related market segments; namely leisure, law of the sea, nautical almanac and training.

We play a significant part in meeting UK Government's responsibilities in terms of safety of navigation (the International Maritime Organisation's (IMO), SOLAS regulations) including charting obligations and the provision of a 24/7 radio navigational warnings service. As the Government's centre of expertise in hydrographic matters, we provide advice on policy formulation in this field and represent UK at international fora, including the International Hydrographic Organisation (IHO).

The majority of our sales are made through appointed independent distributors across the world who service the commercial shipping market end-users.

The regulatory environment

Aside from meeting the navigational needs of our Defence customers, our 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. Official information is defined as that published by a government authority, normally a hydrographic office, such as ourselves.

The IMO has approved the progressive introduction of a mandatory carriage requirement for Electronic Chart Display and Information Systems (ECDIS). Many vessels subject to SOLAS regulations will now be required to fit ECDIS in a rolling timetable which began in July 2012. It is phased by vessel type and size and will eventually apply to most large merchant vessels and passenger ships by July 2018. Currently, general cargo vessels below 10,000 gross registered tons 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 total, around 40,000 vessels will be covered by the regulations. This change in practice is a major shift in navigation as mariners, through training and experience, derive benefit from the advantages that electronic navigation, in combination with paper products, will bring. These benefits include enhanced safety and situational awareness, improved efficiency and reduced error in chart correction and greater operational effectiveness in tandem with our bridge technology.

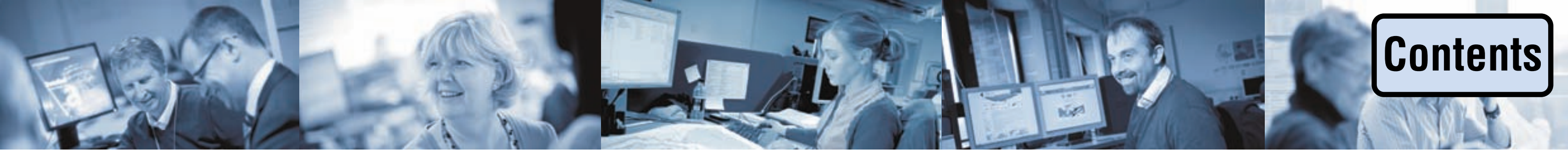
The market environment

The global economy remains volatile. Growth has continued in Asia and South America, though at lower rates, but is almost stagnant in Europe. Low demand combined with an over capacity in most sectors has pushed freight rates back down to their lowest levels. Oil prices remain near their peak so much of the industry is now operating at a loss.

They have been addressing over-capacity by slow steaming, taking capacity out of the market and by delaying or cancelling new vessels.

Our support to Defence and security

The MoD is our owner and our most important customer, receiving not only standard products but also a number of specialist tailored navigational 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 services to environmental data that support operational freedom of manoeuvre and information superiority. Due to our specialist staff and unique data holdings we are able to react swiftly to emerging crises and once again last year provided direct support to the MoD to assist in the planning and execution of short notice contingent operations around the world.



Our people

Delivery of our vision depends on our people. They are a critical success factor in our plans to transform.

We are building a highly engaged workforce with the sustainable capability to deliver our plans by ensuring they have the skills, confidence and flexibility to successfully embrace change.

To this end we will continue to implement improvements for our people focussing on:

- Making sure that we have the right skills and capabilities for future business success. In support of this our internal technical training has been refreshed in both content and delivery. Using a 'systems approach' that ensures we deliver what is needed with an assurance of quality and competence for all internal customers.

- Our CLF was introduced in 2011 for approximately 650 of our staff. It recognises cartographic and allied skills, knowledge and behaviours. Following an audit of CLF the recommended actions have been implemented and CLF board has approved options for accrediting it to IMarEST. We are planning our second technical conference for June 2013 to include internal and external speakers with different maritime and technical expertise.

- Our high potential programme "Embark" which re-launched in 2011 is accredited by the Institute of Leadership and Management (ILM). The current cohort of 19 trainees are making excellent progress towards the achievement of ILM level 7 with several individuals due to graduate during 2013.

- Our performance management process was improved during 2012 with a new, revised moderation policy approved and published.

- Our employee engagement levels remained at 65% for the second year. Recognised as a 'top performer' within the Civil Service, we continue to listen to our employees and take action to improve their satisfaction and motivation. Our aim is to exceed 70% engagement over the next 5 years.

- The average number of days lost through sickness in 2012/13 was 8.3 (compared to 7.5 in 2011/12).

Admiralty Holdings Limited

Admiralty Holdings Limited (AHL) is a private limited company, managed by us 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.

In May 2011, a new wholly owned subsidiary of AHL was established in Singapore, Admiralty Hydrographic Asia Pacific Pte Ltd. Registered office Fullerton Road, Singapore, 049213.

Following confirmation of our continued status as an MoD Trading Fund and in order to achieve cost savings, the commercial team located in Singapore and employed by Admiralty Hydrographic Asia Pacific Pte Ltd have been relocated into the British High Commission and the office closed. During 2013/14, Admiralty Hydrographic Asia Pacific Pte Ltd will become dormant and will be dissolved in due course.

Financial performance

Income fell in year by 4.8% to £129.8m. This was due largely to a reduction in new builds and tough economic conditions changing buyer behaviour, impacting predominantly in underlying paper chart sales.

Sales to the MoD totalled £12.0m, up £0.3m compared with last year and MoD sales as a percentage of our total income represented 9.3%, (2011/12: £11.7m, 8.7%)

Expenditure in 2012/13, excluding depreciation and the impairment of goodwill, was £98.1m, an increase of £1.0m compared with 2011/12. This reflects the continued investment in resources required to develop products, services and systems that support new digital business.

Operating cashflow generated in 2012/13 was £32.7m, a decrease of £10.9m compared with 2011/12. Trade and other receivables at the year end of £27.5m compared with £24.8m in the previous year. Trade and other payables < 1 Year were £44.8m, up 10.9% compared with 2011/12.

Capital expenditure in 2012/13 was £1.3m, £3.6m below that of 2011/12. Cash and cash equivalents totalled £110.3m at the end of March 2013, an increase of £19.7m.

The level of Government funds increased in 2012/13 by £13.6m to £134.2m.

Dividends and capital

Dividends have been paid to the MoD every year since 1998/99. In the current year, the declared dividend was £11.3m (2011/12: £18.6m which included a special dividend of £8.0m).

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of corporate governance that supports the achievement of our policies, aims and objectives, while safeguarding the public funds and assets for which I am personally responsible. This is in accordance with the responsibilities assigned to me in *Managing Public Money*.

Statutory background

We operate as a Trading Fund within the MoD in accordance with statutory instrument SI 1996/773. The accounts have been prepared in accordance with the direction given by HM Treasury on 18th December 2012 in pursuance of section 4(6) (a) of the Government Trading Funds Act 1973. Our framework document (being revised in 2013) gives full details of our operating context. This also includes the definition of our public task. The accounts are consolidated, incorporating those of the Trading Fund and those of AHL including the AHL subsidiary undertakings. 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 2002/03 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.

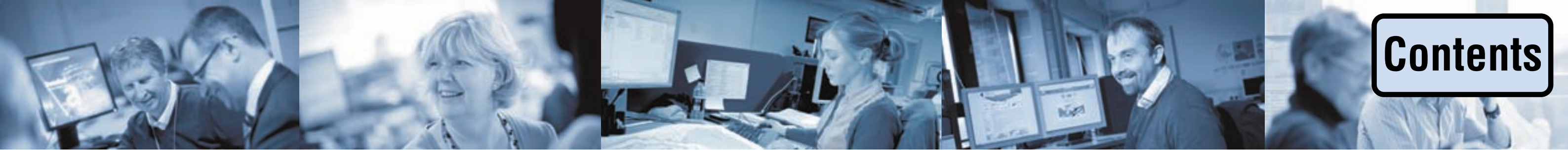
Under guidance provided in International *Accounting Standard 27: consolidated and separate financial statements*, we have prepared consolidated accounts. This is on the basis that, despite not having a direct investment interest in AHL, the board is capable of exercising and exercises, dominant influence 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 loan repayable over 25 years at a fixed rate of 8.375%. Other financial instruments include cash and liquid resources and various items such as trade receivables, trade payables etc. that arise directly from our operations. The main purpose of these financial instruments is to raise finance for future enhancing our operations.

We do not enter into derivative transactions such as interest rate swaps or forward foreign currency exchange contracts.

At 31 March 2013, we have no material risks arising from its financial instruments that arise in the course of normal business operational activities. Liquidity is strong. Loan capital is repayable at a fixed rate of interest. The majority of sales are made in sterling thus minimising the risk from foreign currency exchange fluctuations.



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VISION, MISSION AND OBJECTIVES

Vision

Our 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

We have agreed with our 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**

  We provide value to Defence and national security by delivering the hydrographic services which enable the RN and other Defence and national security customers to meet current and future operational tasks.

- **Objective 2 – Support to "Safety of Life at Sea" treaty obligations**

  We provide wider value to the Government, in support of the 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 capability to deliver against the two objectives above, we are required to extract maximum value from assets and capabilities by generating profitable revenue from customers outside Government. In doing this, the Government expects us to develop a robust strategy for exploiting the changing commercial market for hydrographic and related geo-spatial products and services and in particular the increasing demand for digital products.

- **Objective 4 – Organisational excellence**

  In delivering the above objectives, the Government requires us to demonstrate organisational excellence.

CORPORATE SOCIAL RESPONSIBILITY

As well as meeting our obligations as a national hydrographic office, we have continued to extend our discretionary commitments towards our global economic, social and environmental impact.

Our people

The investment includes an average of over 50 hours of learning and development per person, creating new modern working areas and refurbishing many offices and communal areas, continuing work on our CLF to provide a technical development path and the Embark programme to develop senior management potential from within. We are focussed on quality communication with employees and encouraging their commitment to our continued success. Line management provides the key focus for employee involvement supplemented by dissemination of information by monthly summaries of issues including financial performance, the publication of a bi-monthly internal newspaper and presentations by the Chief Executive to all employees and other ad hoc bulletins. Our intranet includes a weekly blog by the Chief Executive or other members of the executive committee and an employees' forum in which employees are free to raise any issues of general concern or of topical interest. A quarterly staff survey is conducted, 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, who meet several times a year. Trades Unions are actively encouraged to contribute to studies and other reviews and are represented at the board.

The local community

In the local community, our people assisted local school children to develop their reading skills through the Right to Read Scheme. They raised over £6,500 for 40 Commando this year and chose "Freewheelers" the Emergency Voluntary Service as our charity of the year for 2013/14. They also undertook voluntary work for important organisations such as the RNLI. We continue to host a thriving sea cadet unit which provides opportunities for young people in the Taunton area. We provide work experience placements for local school children and support the East Taunton Link Partnership with a range of services, projects and initiatives such as printing their community newsletter.

The environment

To minimise our impact on the environment, we have increased recycling facilities on site, reduced the amount of waste going to landfill and disposed of waste material in an environmentally sound way. We continue to encourage cycling to work through membership of the cycle scheme incentive and by providing regular bicycle servicing sessions at no cost to staff. Car sharing continues to be encouraged and new initiatives are being explored. Energy saving measures such as double-glazed windows and low-energy light bulbs make the most of our older buildings, while the newer ones have received energy performance certificates. Further information on how we are reducing our impact on the environment are contained within the sustainability report which appears on page 61.

UK Defence and national security

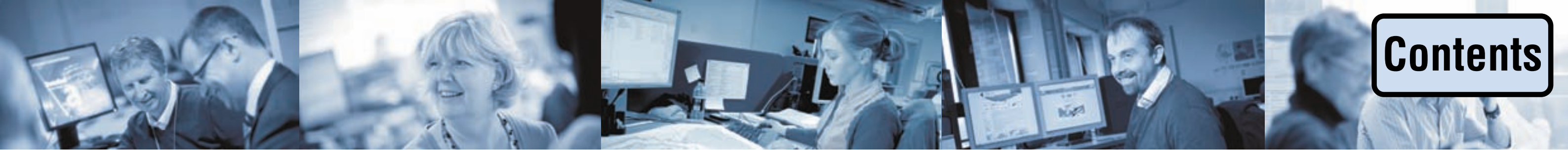
Our service to the RN helps it to protect not just British, but also other nations' interests abroad, including peace-keeping efforts and anti-piracy support which benefit the entire commercial fleet and global economy. We encourage and release staff to serve as reserves within her Majesty's Armed Forces.

International hydrographic community

We play an influential role within the international community, supporting a wide range of international organisations; primarily for safety of navigation, but also in support of other marine activities such as security, Defence and environmental protection. We support the IMO and the IHO in their collective endeavours, by encouraging all coastal states to implement their treaty obligations to promote SOLAS, through provision of adequate and timely hydrographic information.

We have a leading role in the development of international technical standards and provision of capacity building assistance under the auspices of the IHO. This year we trained 73 students from 35 countries in hydrographic data processing and marine cartography and ENC production. In addition, our international hydrographic projects manager provides coastal states with advice and management of hydrographic surveys.

We liaise with partners within the UK location programme to establish our obligations under the EU INSPIRE directive and UK INSPIRE regulations 2009, to make relevant data sets discoverable, viewable and downloadable via both a UK national portal (www.data.gov.uk) and in the longer term through an EU 'geoportal'. The technical solution for this requirement is being provided through the use of the DEFRA network initiative, 'Datashare', which supports cross-government spatial data planning.



Our Bathymetric Survey Data Archive Centre (which is accredited by the Marine Environmental Data and Information Network; MEDIN) will also use the DEFRA solution and www.data.gov.uk to facilitate free public and commercial access to, and use of, bathymetric survey data.

Our suppliers and payment policy

The Government has made a commitment to speed up the payments process of public sector organisations with the aim to pay at least an average 80% of suppliers within 5 days. 87.9% (2011/12: 89.7%) of undisputed invoices were paid within the target. The principles of the *Better Payment Procedure Code* have been observed. A summary of these are contained in *Managing Public Money*.

Our customers

Our portfolio of Admiralty products and services far exceeds just the UK's SOLAS treaty obligations for charting national waters. It provides mariners with easy access to assured, harmonised hydrographic data from port to port worldwide. This is available globally, has a consistent look and feel and our products provide the range of carriage compliant material needed for planning and the conduct of safe navigation with the assurance of the Admiralty brand. To help our customers make the transition from analogue to digital products, as well as selling them SOLAS-compliant fit-for-purpose products, we also supply a wide range of complementary services. These include training packages, 24/7 customer support, tools to aid ordering and passage planning, the results of our unique validation and verification checks to provide them with data quality assurance (via the AIO) and free updates to keep products up to date and safe for use at all times.

REMUNERATION REPORT

In accordance with the Financial Reporting Manual (FReM) we are required to prepare a remuneration report containing certain information about directors' remuneration. "Directors" is interpreted to mean persons in senior positions having authority or responsibility for directing or controlling the major activities of the UKHO. In our opinion the Chief Executive supported by the board are responsible for directing and controlling the major activities of the organisation. As additional disclosure, the details of the emoluments and pension of the Chief Financial Officer are also disclosed. While he is not formally a board member he participates in board meetings and exercises influence on the decisions made by the board. The executive committee have not been disclosed; while they have influence over operational decisions they are not involved in strategic decisions which are the responsibility of the board.

Remuneration policy

Ian Moncrieff was appointed Chief Executive on a three-year contract from 1 April 2013.

Rear Admiral Tom Karsten was appointed National Hydrographer and Deputy Chief Executive (Hydrography) on 17 December 2012.

John Humphrey was appointed as Commercial Director from 28th May 2012 on a eighteen month contract of service through an agency.

Rear Admiral Nick Lambert retired from the RN as National Hydrographer and Deputy Chief Executive (Hydrography) on 14 December 2012.

Richard Brooks was appointed as Head of Corporate Services from 1 April 2011 and resigned on 2 April 2012 when he left the UKHO following promotion to MoD DSTL.

The methods of reviewing the remuneration of the above executives are shown below.

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 other than senior civil service appointments. 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 our 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. Our pay strategy is approved by the Chief Executive to achieve the corporate business strategy having due regard to our financial success, current Government and MoD policies and targets and public sector pay guidance.

Performance pay is dependent firstly on our meeting agreed key performance measures at a corporate level and then on individuals meeting agreed measures in their personal objectives cascaded from the corporate plan. Achievement is determined by individual performance 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 2012/13, performance-related pay amounted to 1.8% of salary (2011/12: 4.4%). All pay awards are subject to satisfactory performance. This includes consolidated base pay and non-consolidated bonuses.

Service contracts

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

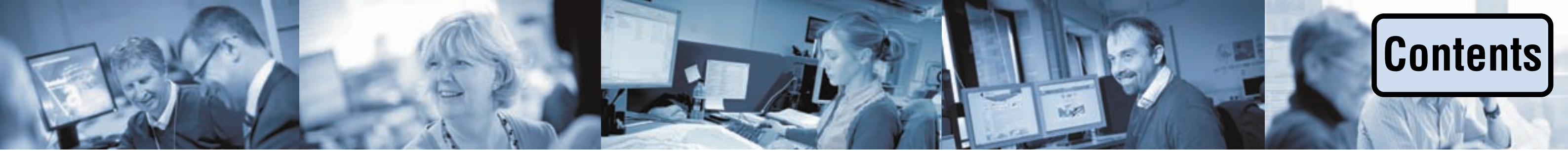
Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

The Chief Executive holds a delegation from the MoD for recruitment within the UKHO up to, but not including, Senior Civil Service grade. 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 MoD guidelines and the Office of the Commissioner for Public Appointments Code of Practice.



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 UKHO 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 HMRC as a taxable emolument.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Unless otherwise stated, bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2012/13 relate to performance in 2011/12 and the comparative bonuses reported for 2011/12 relate to the performance in 2010/11.

Remuneration of the highest paid director and the median remuneration of the organisation’s workforce

We are required to disclose the relationship between the remuneration of the highest paid director in the organisation and the median remuneration of the organisations’s workforce.

The banded remuneration of the current highest paid director in the UKHO in 2012/13 was £145-£155K (2011/12 £110-£115K), these include bonus payments. This was 5.4 times (2011/12 4.0) the median remuneration of the workforce, which was £28.9K (2011/12 £28.9K).

In 2012/13, there was one employee that received remuneration in excess of the highest paid director.

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

The table below refers to UKHO staff and does not include agency staff costs.

	2012/13 £K	2011/12 £K
Band of highest paid directors	**145 – 155**	110 – 115
Median of all UKHO employees	**28.9**	27.8
Ratio	**5.4**	4.0

Remuneration Details

	Notes	**2012/13 Salary Band £K**	**2012/13 Bonus Payments £K**	**2012/13 Benefits in Kind (to the nearest £100)** (Note 3)	2011/12 Salary Band £K	2011/12 Bonus Payments £K	2011/12 Benefits in kind (to the nearest £100) (Note 3)
Ian Moncrieff CBE	1	110 – 115	35 – 40	0	110 – 115	0	0
Rear Admiral Tom Karsten (From 17 Dec 2012)	2	30 – 35 (105 – 110*)	0	500	0	0	0
John Humphrey (From 28 May 2012)		125 – 130 (150 – 155*)	0	28,800	0	0	0
Andrew Millard	1	70 – 75	0 – 5	0	70 – 75	0 – 5	0
Richard Brooks (up to 2 Apr 2011)		0 – 5 (80 – 85*)	0	0	75 – 80	0 – 5	4,200
Rear Admiral Nick Lambert (up to 14 Dec 2012)		75 – 80 (110 – 115*)	0	0	105 – 110	0	0
Mike Robinson (up to 31 Oct 2011)	4	0	0	0	90 – 95 (160 – 165*)	95 – 100	24,200
Michael Cauter (up to 31 Oct 2011)	4	0	0	0	75 – 80 (130 – 135*)	25 – 30	0
David Loosley (up to 31 Oct 2011)	4	0	0	0	60 – 65 (100 – 105*)	30 – 35	0
Paul James (up to 4 Mar 2012)		0	0	0	85 – 90 (90 – 95*)	0	10,000

* 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. Rear Admiral Tom Karsten is a serving RN Officer on loan to the UKHO. Whilst MoD charges for his services based on loan capitation rates, the figures above reflect his actual salary. He is remunerated in line with his parent service.
3. Benefits in kind primarily reflect payments for relocation. These figures represent gross taxable values. The tax liability is met by the UKHO.
4. Payments in 2011/12 relate to bonuses earnt in 2010/11, 2011/12 and deferred bonuses.

Pension Benefits

(This section has been subject to audit)

	Accrued benefits*		Real increase in benefits		CETV	CETV	CETV
	Pension Note a	Lump sum Note a	Pension Note a	Lump sum	31/03/2013	31/03/2012 Note c	Real increase
	£K	£K	£K	£K	£K	£K	£K
Ian Moncrieff CBE	5 – 10	Note b	2.5 – 5	Note b	125	71	41
Andrew Millard	5 – 10	Note b	0 – 2.5	Note b	121	94	18
Richard Brooks	25 – 30	80 - 85	0 – 2.5	0 – 2.5	411	410	0
Mike Robinson (Up to 31 Oct 2011)	0	0	0	0	0	156	0
Michael Cauter (Up to 31 Oct 2011)	0	0	0	0	0	108	0
David Loosley (Up to 31 Oct 2011)	0	0	0	0	0	93	0
Paul James (up to 04 Mar 2012)	0	0	0	0	0	243	0

* As at 31 March 2013

Notes

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

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

c. 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.

None of the above are members of partnership pension schemes.

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 Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% and 3.9% of pensionable earnings for classic and 3.5% and 5.9% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2013. 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 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 2008 and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

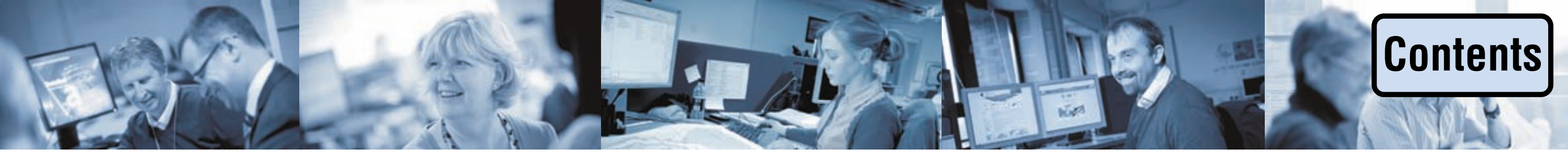
Real increase in CETV

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

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 2013 were as follows:



	Notes	**2012/13 £K**	2011/12 £K	**Partnership Pension 2012/13 £K**	Partnership Pension 2011/12 £K
Sandra Rogers	1	**5 – 10**	35 – 40	**0**	1
Barry Wootton	2	**15 – 20**	15 – 20	**0**	0
Phillip Langsdale (up to 31 Aug 2011)		**0**	5 – 10 (15 – 20*)	**0**	0
Gareth Lewis	3	**15 – 20**	5 – 10 (15 – 20*)	**0**	0
Captain Steve Malcolm	4	**0**	0	**0**	0
Captain Vaughan Nail	4	**0**	0	**0**	0
Peter Shortt	4	**0**	0	**0**	0
Emma Davies	4	**0**	0	**0**	0

*denotes full time equivalent

1. Sandra Rogers retains the position of Chairman, but has declined payment of any fees since July 2012. She continues to receive payment for expenses.
2. Barry Wootton was appointed on a three-year contract commencing on 3 July 2006. This has been exceptionally extended on 2 three-year periods and will now end 3 July 2015.
3. Gareth Lewis was appointed on a three-year contract commencing 20 October 2011.
4. Captain Steve Malcolm is a serving Royal Navy Officer. His appointment in January 2012 is made in conjunction with his responsibilities as Hydrographer of the Navy. Captain Vaughan Nail retired from the Navy in March 2013 Emma Davies and Peter Shortt represent MoD BSG. Neither receive separate remuneration in undertaking these duties.

Ian Moncrieff, CBE
Chief Executive
05 July 2013

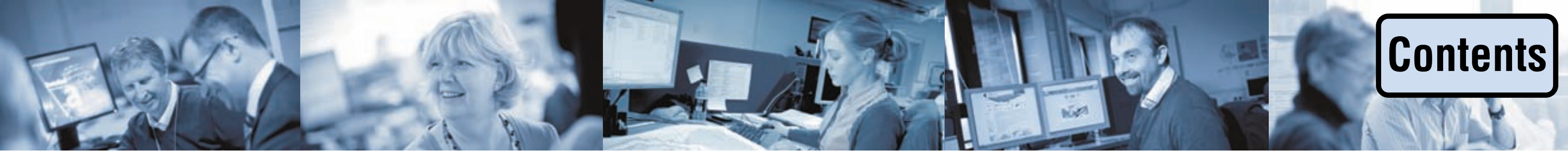
STATEMENT OF UNITED KINGDOM HYDROGRAPHIC OFFICE AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under section 4(6)(a) of the Government Trading Funds Act 1973 HM Treasury has directed the UKHO 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 18th December 2012. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Trading Fund and of its income and expenditure, changes in taxpayers equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the FReM 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;
- ensure that the UKHO has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the FReM have been followed and disclose and explain any material departures in the financial statements and
- prepare the accounts on a going concern basis.

The Treasury has appointed the Chief Executive of the UKHO 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.



GOVERNANCE STATEMENT

Governance
Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of our 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*.

Corporate governance
Our governance framework

We are a Trading Fund agency of the MoD. We evolved from the Office of the Hydrographer to the Admiralty, which was founded in 1795. Established as an Executive Agency of the MoD in 1990, we have operated as a Trading Fund since 1 April 1996. We are entirely owned by the Secretary of State for Defence.

The Minister for Defence Personnel, Welfare and Veterans assists the Secretary of State for Defence in the discharge of his responsibilities with regard to our top level strategy and plans are subject to Ministerial approval. Each year I obtain approval from Minister for my five-year corporate plan and financial projections covering a rolling five-year period. Considerable effort continues to be 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.

UKHO owner's council

Our Minister is advised by an Owner's Council; through the Owner's Council the Minister reviews performance against the first year of the plan and reviews and gives approval of specific major investments.

UKHO board

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

During the year, an independent review of board effectiveness was carried out. The main conclusions of the review were:

1. The agenda should focus on more strategic discussions and less on operational matters
2. The need for a greater external focus and engagement with our customers and stakeholders
3. Making better use of technology would support more efficient board business

During 2012/13 the board met 7 times and the average attendance was 97%. The attendance of individual members (during their tenure in office) was:

	Attendance
Ian Moncrieff	7/7
Sandra Rogers	7/7
Andrew Millard	7/7
Gareth Lewis	7/7
Barry Wooton	7/7
Peter Shortt	6/6
Nick Lambert	5/5
Tom Karsten	2/2
Richard Brooks	1/1
Vaughan Nail	1/1
Emma Davies	1/1
Steve Malcolm	5/6
John Humphrey	5/6

Audit committee

The audit committee is a sub-committee of the hydrographic office board. It 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 and other senior executives depending on topic.

It is charged with monitoring and overseeing the effectiveness of our internal controls and risk management procedures and managing the internal audit programme. The chairman has a finance background and its quarterly meetings are attended by the head of Internal Audit, invited members of the executive committee, Defence internal audit, NAO and our appointed auditors PriceWaterHouseCoopers (PWC).

We have a sound underlying control environment and well established processes identifying and managing a portfolio of clearly identified risks. However, an increased rate of product and organisational change has elevated the risks in these areas requiring extra vigilance. This situation is being managed by a continued high tempo of audits; regular reviews of these findings and the organisational risk profile at audit committee, executive committee and board levels; and prompt mitigation programmes designed to address issues as they arise.

The chair of the committee reports to the board on its proceedings.

Remuneration and nominations committee

The remuneration and nominations committee works within MoD and other Government guidelines to advise the Chief Executive and the board on remuneration and reward for the executive board directors and the next most senior staff.

The committee meets frequently during the year and must have a quorum of two. The underlying principle is that members may not recommend or approve their own reward package.

For the selected staff, the committee will:

- recommend the regular review of performance schemes
- review and endorse objectives and bonus drivers including stretch targets
- 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 chair of the committee reports to the chair of the board on its proceedings.

Safety of navigation assurance committee

The safety of navigation assurance committee (SONAC) monitors safety within the portfolio of our products. The committee is chaired by one of the board's non-executive directors; Captain Steve Malcolm, Hydrographer to the Navy and draws from a wide range of independent experts including the RN, MCA, RNLI, Trinity House, Associated British Ports, Marine Accident Investigation Branch, Chamber of Shipping, Comitē International Radio-Maritime and Royal Yachting Association.

The chair of the committee reports to the audit committee on its proceedings.

Auditor

Our accounts are audited by the Comptroller and Auditor General of the National Audit Office in accordance with section 4(6) of the Government Trading Funds Act 1973. The cost was £67K 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

I have taken all appropriate steps to make myself aware of any relevant audit information and to establish that our auditors are aware of that information.

Compliance with the corporate governance code

The board has carried out a self assessment using the NAO code of good practice compliance checklist and considers that it has complied with all aspects of the corporate governance code to the extent that it is deemed relevant and practical.

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.

The accounts of AHL and its subsidiaries are audited by Baker Tilly, where an audit is required.

Membership of the various governance structures is as follows:

Executives

Ian Moncrieff CBE
Chief Executive

RAdm Tom Karsten
National Hydrographer and
Deputy Chief Executive (Hydrography)

John Humphrey
Commercial Director

Andrew Millard
Chief Financial Officer

Non-Executives

Sandra Rogers
Chairman

Capt Steve Malcolm RN
Hydrographer of the Navy

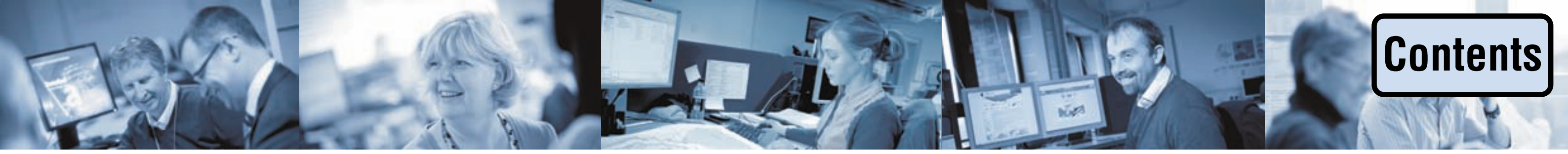
Gareth Lewis

Barry Wootton

Peter Shortt

UKHO Owner's Council	UKHO Board	Audit Committee	Remuneration Committee	AHL	Membership at 31 March 2013
●	●			●	Sandra Rogers (Chairman)
●	●	*		●	Ian Moncrieff CBE (Chief Executive)
*	●	*		●	Rear Admiral Nick Lambert (UKHO National Hydrographer & Deputy Chief Executive-Hydrography) to Dec 2012
*	●	*		●	Rear Admiral Tom Karsten (UKHO National Hydrographer & Deputy Chief Executive-Hydrography) from Dec 2012
	●	*			John Humphrey (Commercial Director) from May 2012
	●	*	*	●	Richard Brooks (Head of Corporate Services) to April 2012
	*	*			Andrew Millard (Chief Financial Officer)
	●	●	●	●	Barry Wootton (Non-Executive Director)
	●		●	●	Gareth Lewis (Non Executive Director)
●	●	●	●	●	Emma Davies (Director of MoD Business Strategy & Governance, Non-Executive Director) to April 2012
●	●	●	●		Peter Shortt (Director of MoD Business Strategy & Governance, Non-Executive Director) from April 2012
	●	●		●	Captain Vaughan Nail RN (Captain HM & Hydrographer of the Navy, Non-Executive Director) to Jan 2012
	●	●		●	Captain Steve Malcolm RN (Captain HM & Hydrographer of the Navy, Non-Executive Director) from Jan 2012
	*				Phillippa Childs (Trades Union Representative)
●					Rt Hon Andrew Robathan MP (Chairman) Parliamentary Under Secretary of State & Minister for Defence Personnel, Welfare & Veterans to Sept 2012
●					Rt Hon Mark Francois MP (Chairman) Parliamentary Under Secretary & Minister for Defence Personnel, Welfare & Veterans from Sept 2012
●					Jon Thompson (MoD Director General Finance) to Aug 2012
●					David Williams (MoD Director General Finance) from Sept 2012
●					Vice Admiral Philip Jones (Deputy Commander in Chief Fleet) to Oct 2012
●					Rear Admiral Peter Hudson (Assistant Chief of the Naval Staff (Capability)) from Oct 2012
●					Air Vice Marshal Jonathan Rigby (Director Cyber Intelligence & Information Integration)
●					Sir Alan Massey (Chief Executive, Maritime & Coastguard Agency)
●					Michael Everard CBE (External Advisor Commercial Shipping)

* Invited Attendees



UKHO internal control

The governance structures outlined above support a system of internal control which is designed to manage risk to a reasonable, practical 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 our 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 31 March 2013 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 board annually. They form the basis of a five year corporate plan, which is endorsed by the board and approved by our Minister. Individual divisional risk-based plans underpin the corporate plan.

Members of the executive committee and their senior managers provide written assurance to me as 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 business; management of internal audit recommendations; identification of contingent liabilities and compliance with staff reporting requirements including the provision of appropriate business skill capabilities.

In addition, staff are mandated to complete a range of training courses both face-to-face and computer based covering; information assurance, business resilience, contracts awareness, equality and diversity and security. Staff are also required to read and sign the “code of business conduct” annually.

The risk management policy sets out the responsibilities of the board, executive committee, audit committee and business risk owners.

Risk management is a fundamental part of our business activity and an essential component of our planning process. To keep risk management at the heart of the executive agenda, it is embedded into the everyday management of the business. We ensure that we have the functional capacity to manage existing and emerging risks throughout our business. At a strategic level our risk management objectives are:

- To identify material risks and ensure that they are visible, fully debated and rigorously challenged
- To help the business improve the control and co-ordination of risk taking across the business

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.

We have invested in a computerised risk management system that facilitates nested risk registers across all divisions, including transformation programmes and projects. Corporate risks are owned by divisional heads and are subject to robust and effective review and challenge.

Responsibility for risk management resides at all levels from the executive down through the organisation to each business manager. Risks are co-ordinated by a dedicated risk manager who maintains an oversight and scrutiny role and facilitates risk workshops.

At each meeting of the board and the audit committee, risk reports are reviewed that provide a summary of risk management, including all risks identified to be high and the status of their treatment plans, visibility of the current risk profile and changes in that risk profile during the year.

The risk management function is subject to internal review by independent internal auditors appointed by the audit committee.

The risk and control framework

The most significant risk is the safety of our core products. This is managed via:-

- Prioritisation of updating via a risk index
- Risk assessment for all new products
- Independent oversight of professional standards and operating processes by the SONAC and the audit committee.

- Sample quality checks by the nautical products committee
- A nominated head of profession focussed on maintaining and improving key skills and active involvement with the IHO to raise standards
- The publication of the AIO to ensure UKHO sourced ENCs meet the same standards as paper charts

The organisation is implementing significant technical change as marine navigation moves into the digital age. These include: implementing enhanced assurance procedures, quality control of ENC's, conversion of manual production methods to digital, workforce training, maintaining ISO 9001:2008 accreditation and achieving and maintaining level 3 of the information assurance maturity model (IAMM).

Financial control

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 our long-term risk-based financial objectives.

The executive committee undertakes monthly reviews based on total financial performance against budgets and forecasts. Budget holders carry out monthly variance reviews of revenues and spend in their areas of responsibility. Forecasts are in turn updated quarterly and scrutinised by the Chief Executive.

In addition the executive committee undertakes monthly reviews of a range of key performance measures, both financial and non-financial. These measures are selected to give the board confidence that all key aspects of the business are being scrutinised and provide a framework for early intervention when performance does not meet expectations. They also check that 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 executive committee. The portfolio further improves governance and oversight of the delivery of all programmes and projects across the business.

Our IT security procedures conform to Cabinet Office and MoD instructions and mandatory safeguards regarding personal and personnel data.

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

Maintaining quality

The DNV ISO9001:2008 and TickIT Guide Issue 5 recertification audit took place during the year. We were successful in achieving recertification. The audit did however highlight a number of minor non-conformities and observations. Resolving these issues is being given management priority.

We will continue to apply the principles of ISO9001:2008 to our internal control framework, with focus on monitoring the effectiveness of controls measured and tested against business objectives rather than simply addressing compliance.

Special payments

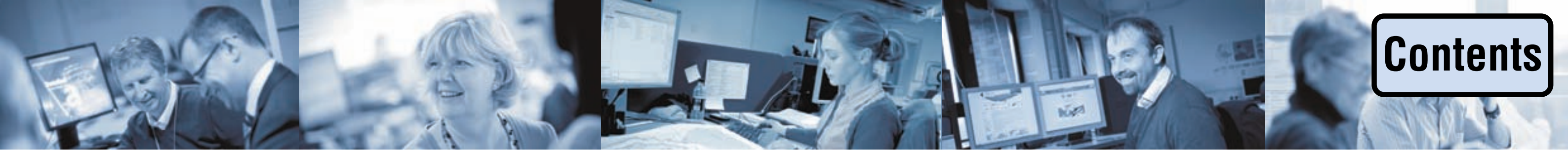
During the year, we made an ex-gratia payment of £20,000 which falls within the category of special payments as defined in *Managing Public Money*. This payment was made in response to pending litigation following a member of staff being dismissed. HM Treasury granted approval for this payment.

Conflicts of interest

Board members, members of my executive committee and their direct reports are required to declare any personal interests that they have with current or potential customers or vendors.

There were no reported conflicts of interest or related party transactions between board members and their activities at the UKHO. However, 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 offices 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.

We maintain a register of interests which is available for inspection at our offices in Taunton upon request of the Chief Financial Officer.



Internal control within AHL

Some 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.

The role of internal audit

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 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 2012/13 was contracted out to PWC, 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 our 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 board.

The opinion given by internal audit based on the work they completed during 2012/13 was that we have adequate and effective internal controls in place for core systems such as the core financial systems, budget management and royalties. However management are addressing some issues identified relating to our change activities.

Business resilience

Over the past year we have continued to enhance our business continuity capability. We have updated our plans and issued a new plan for handling information loss.

We have launched a computer based training initiative for all staff with a business continuity role. This will provide incident management training for our crisis management team as well as business continuity training that is tailored to our business continuity teams.

Unfortunately, limited resource has resulted in a delay to our testing programme, and greater emphasis will be given to conducting a range of exercises across all our plans in 2013.

IT resilience remains a weakness that continues to be addressed through our IT Disaster Recovery Project. Investment in technical infrastructure is seen as an essential activity and is therefore recognised as a key strategic objective for 2013.

Information Assurance

We have a Senior Information Risk Owner (SIRO) who is a member of the executive committee responsible for the delivery of the information assurance controls across the business. He is supported by information asset owners, the chief information officer (CIO), data protection officer and the Information Security Advisor. During the year, significant improvements have been made to our information assurance controls. These were assessed by MoD CIO in April 2013 who confirmed that we had made significant improvement and had achieved a good level in the areas of leadership & governance, training and education and awareness. However further evidence was asked for, particularly Data Protection Act compliance, risk management and our alignment with MoD risk appetite. This evidence has since been provided and we are awaiting their assessment to see if they feel we are operating at IAMM level 3.

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. We have not had any unauthorised disclosure of personal information in 2012/13.

Ian Moncrieff.

Ian Moncrieff CBE
Accounting Officer and Chief Executive
05 July 2013

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

I certify that I have audited the Group financial statements of UK Hydrographic Office for the year ended 31 March 2013 under the Government Trading Funds Act 1973. The Group and Trading Fund Statements comprise of: Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity; 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, Chief Executive and auditor

As explained more fully in the Statement of UK Hydrographic Office and Chief Executive's Responsibilities is 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, certify and report on 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 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.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of UK Hydrographic Office's affairs as at 31 March 2013 and of its 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 there under.

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 Chairman's Message, Foreword by the Chief Executive, Management Commentary, Vision, Mission and Objectives, Corporate Social Responsibility, Governance Statement 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

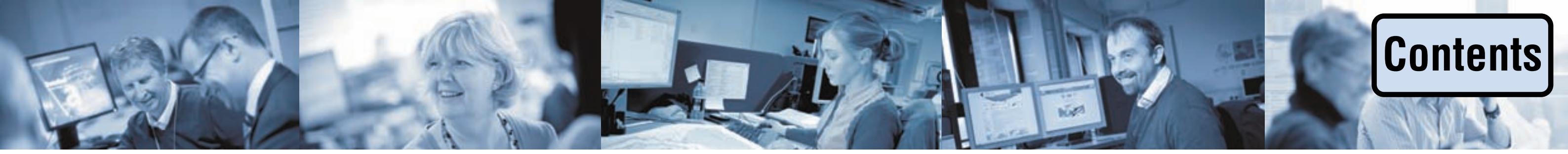
I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- 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 and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse	**National Audit Office**
Comptroller and	157-197 Buckingham Palace Road
Auditor General	Victoria
11 July 2013	London SW1W 9SP

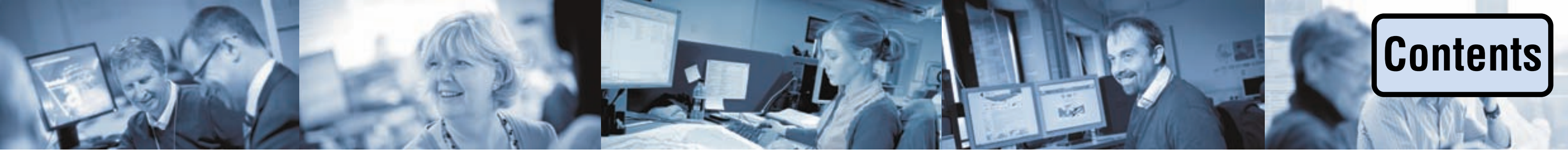


THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2013

Group	Note 27	**2012/13** **£K**	2011/12 *Restated* £K
Group income	4	**129,798**	136,305
Change in inventories of finished goods and WIP		**59**	(82)
Materials and other external charges		**(6,416)**	(7,321)
Staff costs	2	**(50,872)**	(50,634)
Depreciation and impairment	6a	**(8,785)**	(7,360)
Other operating charges	6b	**(40,853)**	(39,093)
Profit on ordinary activities before interest		**22,931**	31,815
Trading Fund rationalisation	7	**0**	(106)
Profit on ordinary activities before interest and after exceptionals		**22,931**	31,709
Gain on sale of discontinued operation	8	**0**	1,056
Interest receivable and similar income	9	**284**	165
Interest payable and similar charges	10	**(724)**	(755)
Profit on ordinary activity before tax		**22,491**	32,175
Taxation	11	**(3)**	(2)
Net profit		**22,488**	32,173
Dividend	12	**(11,274)**	(18,628)
Retained profit for the financial year		**11,214**	13,545
Other comprehensive income			
Revaluation of non-current assets		**2,516**	4,982
Foreign exchange changes		**5**	0
		2,521	4,982
Total comprehensive income		**13,735**	18,527

The notes on pages 36 to 60 form part of these accounts.



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2013

Trading Fund

	Note 27	**2012/13**	2011/12 *Restated*
		£K	£K
Income		**129,953**	134,193
Change in inventories of finished goods and WIP		**59**	(82)
Materials and other external charges		**(6,525)**	(6,963)
Staff costs		**(50,692)**	(49,480)
Depreciation and impairment		**(8,785)**	(7,319)
Other operating charges		**(41,199)**	(39,637)
Profit on ordinary activities before interest		**22,811**	30,712
Trading Fund rationalisation	7	**0**	(106)
Profit on ordinary activities before interest and after exceptionals		**22,811**	30,606
Interest receivable and similar income		**292**	390
Interest payable and similar charges	10	**(724)**	(754)
Net profit		**22,379**	30,242
Dividend	12	**(11,274)**	(18,628)
Retained profit for the financial year		**11,105**	11,614
Other comprehensive income			
Revaluation of non-current assets		**2,516**	4,982
		2,516	4,982
Total comprehensive income		**13,621**	16,596

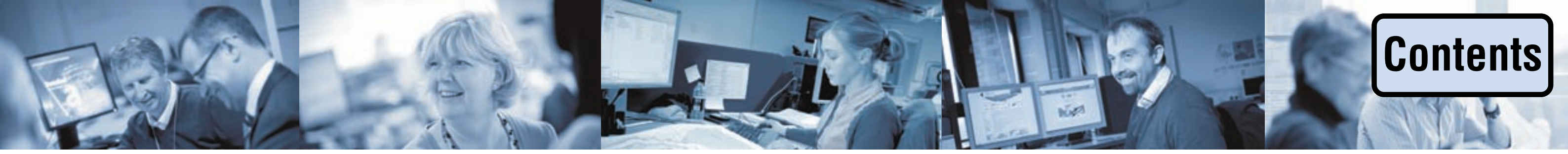
The notes on pages 36 to 60 form part of these accounts

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013

Group	Note 27		2012/13 £K	2011/12 *Restated* £K
Non-current assets:				
Intangible assets	13A	**16,683**		21,857
Property, plant & equipment	13C	**34,502**		34,025
Total non-current assets			**51,185**	55,882
Current assets:				
Inventories	15	**2,602**		2,274
Trade and other receivables	16	**27,546**		24,834
Cash and cash equivalents	17	**110,266**		90,546
Total current assets			**140,414**	117,654
Total assets			**191,599**	173,536
Current liabilities:				
Trade and other payables < 1 Year	18		**(44,766)**	(39,903)
Provisions	19		**(3,831)**	(3,261)
Long term borrowings	20		**(689)**	(635)
Total current liabilities			**(49,286)**	(43,799)
Non current assets plus net current assets			**142,313**	129,737
Non-current liabilities:				
Provisions	19		**(1,251)**	(1,721)
Long term borrowings	20		**(6,784)**	(7,473)
Total non-current liabilities			**(8,035)**	(9,194)
Assets less liabilities			**134,278**	120,543
Taxpayers' equity:				
Trading Fund				
Public dividend capital			**13,267**	13,267
Revaluation reserve			**21,402**	19,821
Profit and loss account			**99,543**	87,503
Total government taxpayers' equity			**134,212**	120,591
Admiralty Holdings Limited				
Profit and loss account			**66**	(48)
Total taxpayers' equity			**134,278**	120,543

The notes on pages 36 to 60 form part of these accounts

Ian Moncrieff CBE
Chief Executive
05 July 2013



STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2013

Trading Fund	Note		2012/13	2011/12
	27			*Restated*
			£K	£K
Non-current assets:				
Intangible assets	13A	**16,683**		21,857
Property, plant & equipment	13C	**34,502**		34,025
Total non-current assets			**51,185**	55,882
Investment	14		**188**	130
Current assets:				
Inventories	15	**2,602**		2,274
Trade and other receivables	16	**27,546**		24,973
Cash and cash equivalents	17	**110,044**		90,400
Total current assets			**140,192**	117,647
Total assets			**191,565**	173,659
Current liabilities:				
Trade and other payables < 1 Year	18		**(44,798)**	(39,978)
Long term borrowings	20		**(689)**	(635)
Provisions	19		**(3,831)**	(3,261)
Total current liabilities			**(49,318)**	(43,874)
Non-current assets plus net current assets			**142,247**	129,785
Non-current liabilities:				
Provisions	19		**(1,251)**	(1,721)
Long term borrowings	20		**(6,784)**	(7,473)
Total non-current liabilities			**(8,035)**	(9,194)
Assets less liabilities			**134,212**	120,591
Taxpayers' equity:				
Public dividend capital			**13,267**	13,267
Revaluation reserve			**21,402**	19,821
Profit and loss account			**99,543**	87,503
Total taxpayers' equity			**134,212**	120,591

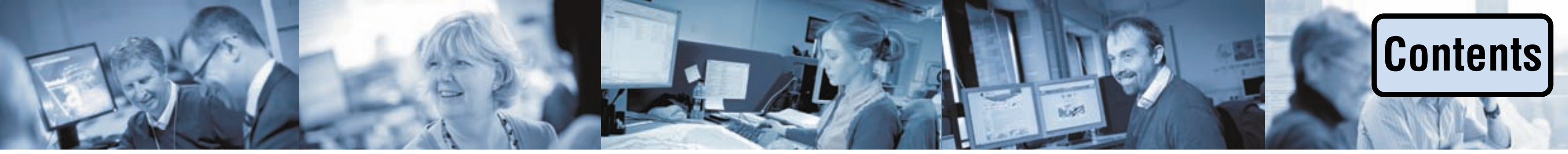
The notes on pages 36 to 60 form part of these accounts

Ian Moncrieff CBE
Chief Executive
05 July 2013

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2013

Group	Note	Profit and Loss Reserve £K	Revaluation Reserve £K	Public Dividend Capital £K	Total Reserves £K
Balance at 1/4/12 *(Restated)*	27	**87,455**	**19,821**	**13,267**	**120,543**
Changes in equity for 2012/13:					
Other comprehensive income					
Revaluation of non-current assets	13A&C		2,516		2,516
Transfer between reserves, realisation of revaluation surplus		935	(935)		0
Foreign exchange changes		5			5
		940	1,581		2,521
Net income for the period		22,488			22,488
Total recognised income and expense for the period		23,428	1,581		25,009
Dividend	12	(11,274)			(11,274)
Balance at 31/3/13		**99,609**	**21,402**	**13,267**	**134,278**

The notes on pages 36 to 60 form part of these accounts



STATEMENT OF CHANGES IN TAXPAYERS EQUITY FOR THE YEAR ENDED 31 MARCH 2013

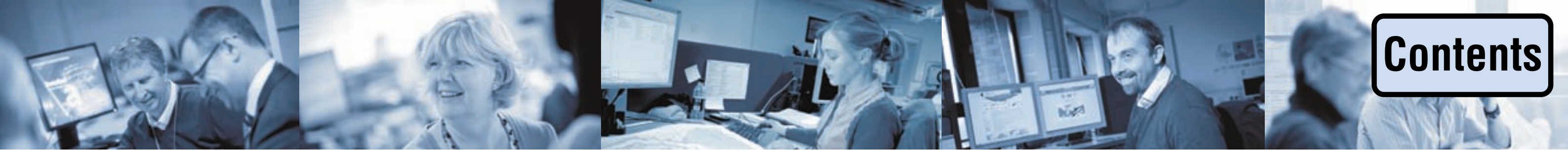
Trading Fund	Note	Profit and Loss Reserve **£K**	Revaluation Reserve **£K**	Public Dividend Capital **£K**	Total Reserves **£K**
Balance at 1/4/12 *(Restated)*	27	**87,503**	**19,821**	**13,267**	**120,591**
Changes in equity for 2012/13:					
Other comprehensive income					
Revaluation of non-current assets	13A&C		2,516		2,516
Transfer between reserves, realisation of revaluation surplus		935	(935)		0
		935	1,581		2,516
Net income for the period		22,379			22,379
Total recognised income and expense for the period		23,314	1,581		24,895
Dividend	12	(11,274)			(11,274)
Balance at 31/3/13		**99,543**	**21,402**	**13,267**	**134,212**

The notes on pages 36 to 60 form part of these accounts

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2013

Group	Note 27	**2012/13** **£K**	2011/12 *Restated* £K
Net cash flow from operating activities	24	**32,696**	43,565
Cash flows from investing activities			
Interest received		**273**	203
Purchase of property, plant and equipment	13C	**(773)**	(1,045)
Purchase of intangible assets	13A	**(547)**	(3,803)
Receipts from sale of subsidiary	8	**0**	889
Net cash outflow from investing activities		(1,047)	(3,756)
Cash flows from financing activities			
Repayment of long term loan	20	**(635)**	(585)
Dividend paid	12	**(10,628)**	(16,498)
Interest paid	10	**(666)**	(755)
Net cash outflow from financing activities		**(11,929)**	(17,838)
Net financing			
Net Increase in cash and cash equivalents in the period		**19,720**	21,971
Cash and cash equivalents at beginning of year	17	**90,546**	68,574
Cash and cash equivalents at end of year	17	**110,266**	90,546

The notes on pages 36 to 60 form part of these accounts



STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2013

Trading Fund	Note 27	**2012/13** **£K**	2011/12 *Restated* £K
Net cash flow from operating activities		**32,671**	42,448
Cash flows from investing activities			
Investments		**(50)**	3,262
Interest received		**281**	383
Purchase of property, plant and equipment	13C	**(782)**	(1,047)
Purchase of intangible assets	13A	**(547)**	(3,803)
Net cash outflow from investing activities		**(1,098)**	(1,205)
Cash flows from financing activities			
Repayment of long term loan	20	**(635)**	(585)
Dividend paid	12	**(10,628)**	(16,498)
Interest paid	10	**(666)**	(755)
Net cash outflow from financing activities		**(11,929)**	(17,838)
Net financing			
Net increase in cash and cash equivalents in the period		**19,644**	23,405
Cash and cash equivalents at beginning of year	17	**90,400**	66,995
Cash and cash equivalents at end of year	17	**110,044**	90,400

The notes on pages 36 to 60 form part of these accounts

1. ACCOUNTING POLICIES

A. Basis of accounting

The financial statements have been prepared in accordance with the 2012/13 FReM issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of our business for the purpose of giving a true and fair view has been selected. The particular policies adopted by us are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

Unless otherwise stated, the accompanying notes to the financial statements show only the group figures. All figures within the primary statements and associated notes are rounded to the nearest thousand (£K).

We operate as a Trading Fund within the MoD in accordance with statutory instrument SI 1996/773. The accounts have been prepared in accordance with the direction given by HM Treasury on 18th December 2012 in pursuance of section 4(6) (a) of the Government Trading Funds Act 1973.

Under the guidance provided in International Accounting Standard *IFRS3 Business Combinations and IAS27 Consolidated and Separate Financial Statements*, we prepare 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. Accounting convention

The accounts have been prepared on the current cost basis, modified for revaluation and fair value where appropriate.

C. Basis of consolidation

The group 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 was incorporated during 2002/03. 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.

IC-ENC

International Centre for Electronic Navigational Charts (IC-ENC) is an international collaboration to quality control and distribute ENCs.

UKHO operates IC-ENC on behalf of the 28 member hydrographic offices and it is operated on a not-for-profit basis.

During the year, the UKHO accounts were amended to reflect a change in accounting policy in respect of IC-ENC. We recognise the total liability to IC-ENC members together with the cash held on their behalf.

In 2011/12 accounts, IC-ENC reported the surplus of £591K, a prior period adjustment has been made to reflect this change. All inter-company trading between UKHO and IC-ENC has been removed. The statement of comprehensive income; statement of financial position; statement of changes in taxpayers' equity and relevant notes have been restated for the previous year.

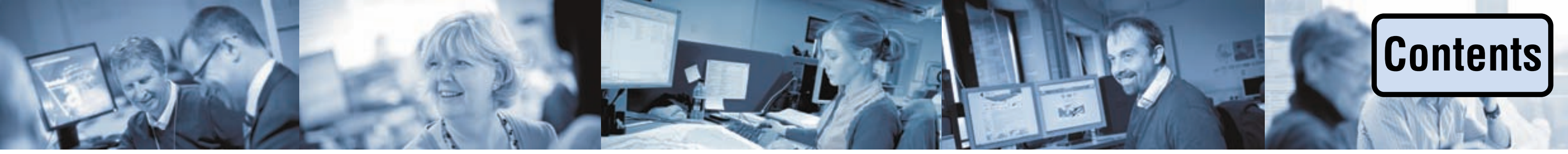
D. Estimation techniques

There have been no revisions of estimation techniques. Accruals are estimated with reference to available documentation, advice from management and from information gained from similar previous events and are the best estimate at the date of these financial statements.

Staff holiday is recorded on the management information system and therefore the holiday pay accrual calculation is an accurate assessment.

Our portfolio of assets are subject to a rolling five year programme of revaluation by an independent, professional valuer. In addition to this, indexation is used on a monthly basis as a proxy for valuing our assets.

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



Where appropriate, a business-in-use valuation based on discounted projected cash flows has been adopted for development expenditure assets to test for impairment.

Measurement of provisions is based on third-party estimates.

E. Exceptional items

Exceptional items are those significant items which individually, or if of a similar type in aggregate, are separately disclosed by virtue of their size or incidence to enable a full understanding of our financial performance. Items which may be considered exceptional in nature include business restructurings and non-current assets write downs.

F. 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. Exceptionally, they may be accrued but income is recognised 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*.

G. 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.

H. Non current assets valuation

Ownership of our 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 criterion are not met the expenditure is recognised in the Statement of Comprehensive Income. 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 Statement of Comprehensive Income.

The following factors are considered in estimating useful lives:

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

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 2013 through the application of appropriate indices:

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

Property, plant & equipment

Land and buildings were professionally valued at 31 March 2013 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. Our site land valuation was £8.6m, the buildings valuation was £21.8m and plant & machinery £1.3m. Management have decided to recognise the valuation in 2012/13. All assets, with the exception of the wholly owned subsidiaries, have been revalued as at 31 March 2013 during the year through the application of appropriate indices:

- Land - the Gross Domestic Product Index;
- Buildings – the Buildings Tender Price Index;
- Plant and machinery – the Office for National Statistics index 2924 (industrial and commercial machinery and services equipment);

- Computers (excluding software licences and Furniture and Fittings) – are retained at historic cost due to their short-term economic life.

For plant & machinery, new acquisitions are capitalised where the cost exceeds £5,000 (excl VAT) In respect of all other asset classes, new additions and improvements are capitalised at cost where the value of discrete items exceeds £1,000 (excl 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.

H1. 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 & machinery purchased since April 2007) over their estimated useful lives taking account of any residual second-hand or scrap value. Large items of plant & machinery that are bespoke to us and purchased since April 2007, are depreciated on a reducing balance methodology. Estimated useful lives are as follows:

Buildings	Not exceeding 100 years
Plant and Equipment	Between 1 and 20 years
Computers	Between 2 and 5 years

(including capitalised software and licences)

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

H2. 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.

These are measured at the lower of carrying amount and fair value less costs to sell. These 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.

Admiralty Deutschland GmbH (ADG) was held for sale at 31 March 2011 as it was considered the activities of this business were not core to the UKHO's future strategy. On 7 November 2011, AHL sold their 100% share in ADG to Dutch-Belgian Trading GmbH.

I. 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.

J. Hydrographic data

In carrying out its business, we utilise raw hydrographic data provided by the MoD and the MCA 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 we pay for its usage through royalties. The very small proportion of data owned by us 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 owned to us is of limited value.

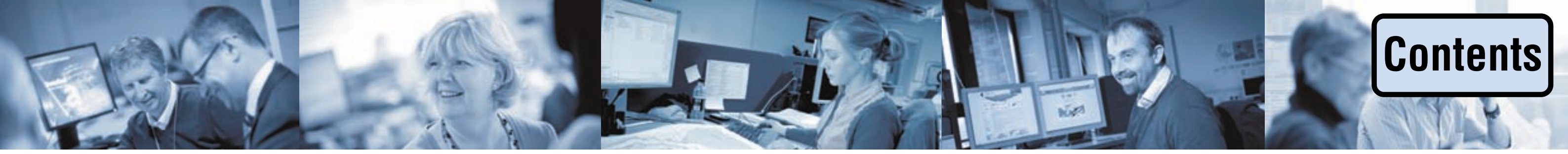
We have not valued, therefore, any part of the hydrographic data but has charged direct to revenue all costs of acquiring and maintaining data as they were incurred.

K. Pensions

Our staff are covered by the provisions of the PCSPS, which is an unfunded multi-employer defined benefit scheme. However, since we are unable to identify its share of the underlying assets and liabilities it is accounted for as a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the accounting period. Contributions are paid at rates determined from time to time by the scheme's actuary.

Details of rates and amounts of contributions during the year are given in Note 2.

Our staff may be in one of four statutory based defined benefit schemes; classic, premium, classic plus and nuvos (classic, premium and classic plus are now closed to new members).



New entrants after 30 July 2007 may choose between membership of nuvos or joining a money purchase stakeholder pension agreement with a significant employer contribution (partnership pension account).

L. Insurance

We carry 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, we 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 charged to the Statement of Comprehensive Income. 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 FReM. Amortisation of these costs commences with the commercial production of the product. The costs are amortised on a straight-line basis over the product's commercial lives.

N. Foreign currencies

Assets and liabilities denominated in a foreign currency are translated into sterling at the rate of exchange ruling as at 31 March 2013. Transactions are recorded at the rate ruling at the time of the transaction. Exchange differences are taken to the Statement of Comprehensive Income. Assets, liabilities and results of overseas subsidiaries are translated at the rate ruling at 31 March 2013. Exchange differences arising are recognised in reserves.

O. Going concern

The accounts have been prepared on the basis that the group is a going concern.

P. Investments

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

Q. 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.

R. Treatment of leases

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

S. Provisions

Provisions for liabilities and charges have been established under the criteria of *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* and are based on realistic estimates of the expenditure required to settle legal or constructive obligations that exist at the 31 March 2013.

The rate advised by HM Treasury is used to discount provisions to current prices – the rate for financial year 2012/13 being -1.8% (2011/12: 2.2%). The discount is unwound over the remaining life of the provision and shown as an interest charge in the Statement of Comprehensive Income.

Early retirement costs

We provide in full for the cost of meeting pensions up to the normal retirement age in respect of early retirement programmes. Early departure provisions under pension scheme rules are discounted at the pensions' discount rate, issued annually by HM Treasury, 2012/13: 2.35% (2011/12: 2.8%). Pensions payable after the normal retirement age are met by the Civil Service pension arrangement, however any additional element payable beyond normal retirement age, which derives from the enhancement of reckonable service, continues to be met by us. Redundancies are provided for in full.

T. Cash and cash equivalents

Cash and cash equivalents include cash held at bank and in hand together with short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

U. Reserves

The revaluation reserve reflects the unrealised and realised elements of the cumulative balance of revaluation and indexation adjustments on non-current assets.

The profit and loss reserve represents the balance of the taxpayers equity.

V. Taxation

V1. Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at 31 March 2013 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 2013. 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 2013, 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 2013. Deferred tax is measured on a non-discounted basis.

V2. Corporation tax

The Trading Fund is exempt from corporation tax under Section 829(2) of the Income and Corporation Taxes Act 1988 and consequently the requirements to account for current tax and deferred tax are not relevant. AHL is liable to pay corporation tax in the UK on its taxable profits.

V3. VAT

We are VAT registered and all business VAT is recoverable.

W. Treatment of finance leases as a lessor

We are participating in the cycle purchase scheme which is a salary sacrifice scheme through which employees are provided with equipment purchased by us 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 Statement of Comprehensive Income.

X. Financial instruments

We account for financial instruments within *IFRS 7* and *IAS39*.

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 our receivables that are due within 1 year are not discounted on the grounds of materiality. Provisions are only made for specific bad debts.

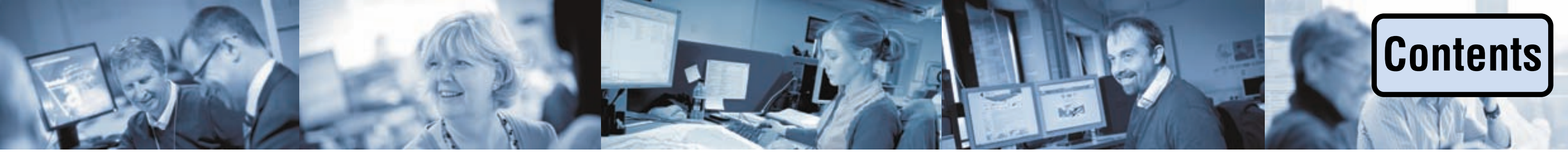
Loan investments to AHL are classed as financial assets and where appropriate are subject to annual impairment test together with an impairment review if there are indicators of impairment. It tests if events or changes in circumstances indicate that the carrying values may not be recoverable.

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, our liabilities falling due within 1 year are not discounted.

Cash and cash equivalents

We invest cash deposits with the 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.



Y. 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 (IASB) that are effective for financial statements after this reporting period.

The following have not been adopted early by us.

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. In December 2011, the IASB issued mandatory effective date of IFRS 9 and transition disclosures which defers the date to 1 January 2015.

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. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The effective date has yet to be confirmed.

In addition, the following are changes to the FReM, which will be applicable for accounting periods beginning on 1 April 2013:

IAS 1 Presentation of financial statements

Requiring items of other comprehensive income (OCI) to be grouped on the basis whether they might at some point be reclassified (recycled) from OCI to profit. This is to make it clearer to users what their potential effect on profit or loss will be in future periods.

IAS 16 Property, plant & equipment

Classification of servicing equipment - items such as spare parts, stand-by equipment and servicing equipment are recognised under IAS16 when they meet the definition of property, plant or equipment. They are otherwise classified as inventory under IAS2.

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:

	2012/13	2011/12
Operations	**400**	392
Support	**489**	471
Print and supply	**112**	118
Marketing	**116**	110
Sub total UKHO	**1,117**	1,091
Admiralty Deutschland GmbH (note a)	**0**	19
Admiralty Hydrographic Asia Pacific Pte Ltd	**5**	3
Total staff numbers	**1,122**	1,113
Civil servants	**1,000**	966
Agency staff	**111**	119
Service personnel	**6**	6
Subsidiaries	**5**	22
Total staff numbers	**1,122**	1,113

a. AHL sold its share in Admiralty Deutschland GmbH on 7 November 2011.

Of these staff, 23 full time equivalent (FTE) permanent staff and 8 FTE agency staff were engaged on capital projects during the year. (21 and 7 respectively for 2011/12)

Salary

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

	2012/13	2011/12
	£K	£K
Salaries, wages etc.	**32,428**	31,740
Social security costs	**2,527**	2,712
Pension costs	**5,950**	5,781
Agency staff costs	**9,162**	9,532
Service personnel costs	**805**	869
Total staff costs	**50,872**	50,634

£192k was capitalised as staff costs that were engaged in capital projects during the year. (2011/12: £1,428k)

Members of the Owner's Council receive no remuneration from the UKHO apart from the Chief Executive. 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 us for which MoD charges a capitation rate rather than actual salary costs. We carry no specific liability for the pension costs of service personnel.

Pension

For 2012/13, the applicable pension rates were as follows:

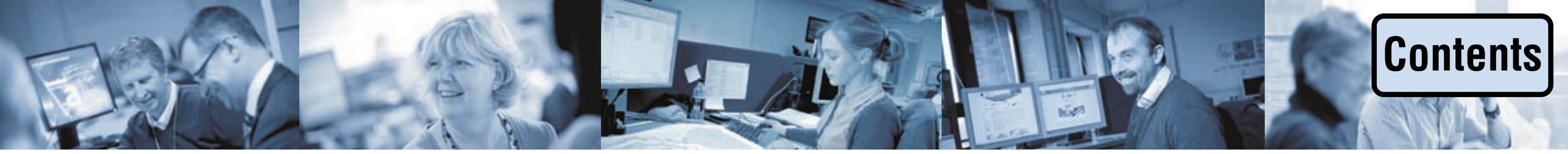
Scheme and Annual Salary Bands to which rates apply	**%**
PCSPS - Band 1 - £21,500 and under	16.7
PCSPS - Band 2 - £21,501 to £44,500	18.8
PCSPS - Band 3 - £44,501 to £74,500	21.8
PCSPS - Band 4 - £74,501 and over	24.3

The PCSPS is an unfunded multi-employer defined benefit scheme but we are unable to identify our share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2012/13, employers' contributions of £5,915k were payable to the PCSPS (2011/12: £5,747k) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands (2011/12: 16.7% to 24.3%). The scheme's actuary usually reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2012/13 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 £35.4k 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 representing 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 31 March 2013 were £3.3k There were no prepaid contributions at that date.



3. CIVIL SERVICE EXIT PACKAGES

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme – a statutory scheme made under the Superannuation Act 1972. 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. Where we have agreed early retirements, the additional costs are met by us and not by the PCSPS. Ill health retirement costs are met by the pension scheme and not included in the table.

The figures below do not include ex-gratia costs (see note 26).

Exit package cost band	**Number of compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages by cost band**	
	2012/13	2011/12	**2012/13**	2011/12	**2012/13**	2011/12
< £10,000	**0**	(0)	**1**	(0)	**1**	0
£10,000 - £25,000	**0**	(0)	**3**	(2)	**3**	(2)
£25,000 - £50,000	**0**	(0)	**1**	(1)	**1**	(1)
£50,000 - £100,000	**0**	(0)	**1**	(1)	**1**	(1)
£100,000 - £150,000	**0**	(0)	**0**	(1)	**0**	(1)
Total number of exit packages	**0**	(0)	**6**	**(5)**	**6**	**(5)**
Total cost (£K)	**0**	(0)	**152**	**(316)**	**152**	**(316)**

4. INCOME

Group	Note 27	**2012/13** **£K**	2011/12 *Restated* £K
Commercial sales		**117,788**	122,287
Sales to the MoD		**12,010**	11,724
Admiralty Deutschland GmbH (Note a)		**0**	2,294
Total Income		**129,798**	136,305

a. Admiralty Holdings Ltd sold its subsidiary company, Admiralty Deutschland GmbH on 7 November 2011

5. OPERATING SEGMENTS

All of the group's business reporting segments are disclosed to enable users of these financial statements to evaluate the financial effects of the group's business activities.

All operating segments have been derived from the monthly Performance Report that the board use to run the business. Overhead costs, assets and liabilities are not routinely allocated to segments within this report and are therefore not used to aid users' understanding of these financial statements.

Furthermore, the board does not review the business on a geographical basis. None of our non-current assets exceed the 10% reportable segment and as such would all be classified as UK based.

	Note 27	Commercial 2012/13 £K	Defence 2012/13 £K	**Total 2012/13 £K**	Commercial 2011/12 *Restated* £K	Defence 2011/12 *Restated* £K	**Total 2011/12 *Restated* £K**
Income	4	120,447	9,506	**129,953**	126,957	9,348	**136,305**
Cost of sales		(24,891)	(1,291)	**(26,182)**	(31,195)	(1,300)	**(32,495)**
Gross profit		95,556	8,215	**103,771**	95,762	8,048	**103,810**
Margin %		79%	86%	**80%**	75%	86%	**76%**
Overheads				**(80,840)**			**(71,995)**
Profit on ordinary activities before interest				**22,931**			**31,815**
Gain on sale of discontinued operation				**0**			**1,056**
Trading fund rationalisation				**0**			**(106)**
Interest expense	10			**(724)**			**(755)**
Interest income	9			**284**			**165**
Taxation	11			**(3)**			**(2)**
Net profit				**22,488**			**32,173**
Dividend				**(11,274)**			**(18,628)**
Retained profit for the financial year				**11,214**			**13,545**

Sales revenue by geographical market

There is no specific country that exceeds the 10% reportable segment below and therefore is reported as an aggregate total as other countries.

	2012/13 £K	2011/12 *Restated* £K
United Kingdom	**43,469**	47,322
Other countries	**86,484**	88,983
Total revenue	**129,953**	**136,305**

Information about major customers

Revenues from two customers exceeded 10% of the UKHO's total revenues. The geographical location is UK based.

	Commercial 2012/13 £K	Defence 2012/13 £K	**Total 2012/13 £K**	Commercial 2011/12 £K	Defence 2011/12 £K	Total 2011/12 £K
Customer 1	14,561	0	**14,561**	15,409	0	15,409
Customer 2	12,993	0	**12,993**	15,333	0	15,333

6. PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST

Profit on ordinary activities before interest of £22.9m (2011/12: £31.8m) is stated after charging:

Group	Note 27	**2012/13** £K	2011/12 *Restated* £K
Depreciation/amortisation - owned assets		**8,779**	7,292
Depreciation discontinued operation		**0**	41
Loss on disposal of non-current assets		**6**	4
Impairment		**0**	23
a Depreciation and impairment		**8,785**	7,360
Operating leases: office machinery		**8**	7
Professional fees		**63**	175
Development & transformation activities (Note b)		**4,366**	4,750
External auditor’s remuneration (Note a)		**136**	99
Travel, training and entertainment expenses (Note a & b)		**3,561**	3,415
Materials and services (Note b)		**6,571**	4,656
Utilities and other estates operating costs		**7,242**	6,703
Computing and office machines		**4,233**	5,096
Royalties payable		**14,673**	14,192
b Other operating charges		**40,853**	39,093

(a) Auditor’s remuneration includes fees for both UKHO and AHL companies. The NAO audit fee is £67k (2011/12: £69k). Re-allignment of prior year costs between external auditor’s remuneration and travel, training and entertainment expenses.

(b) Re-allignment of prior year costs between development & transformation activities and travel, training and entertainment and materials and services.

7. TRADING FUND RATIONALISATION

The provision as at 31 March 2013 is £944k (£1,296k at 31 March 2012) to cover committed early release costs. The remaining provision has been discounted at 2.35% and will be fully applied by 2019/20. Full details of the provision is shown in Note 19.

8. SALE OF DISCONTINUED OPERATION

	2012/13 £K	2011/12 £K
Proceeds from sale	**0**	4,211
Directly attributable selling costs	**0**	(513)
Cost of investment in Admiralty Deutschland GmbH	**0**	(1,000)
Net book value at 7/11/2012	**0**	(1,642)
Profit on sale	**0**	1,056

9. INTEREST RECEIVABLE AND SIMILAR INCOME

This relates to interest receivable from investments in the DMO, short-term deposits held in an interest bearing bank account and interest charges on overdue payments. Interest from investments in the DMO 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.

10. INTEREST PAYABLE AND SIMILAR CHARGES

Trading Fund	Note	**2012/13 £K**	2011/12 £K
a. Interest paid to the MoD in respect of the long-term loan		**666**	716
b. Unwinding of the discount and movement on provision for early retirements and rationalisation	19	**58**	39
Total interest payable and similar charges		**724**	755

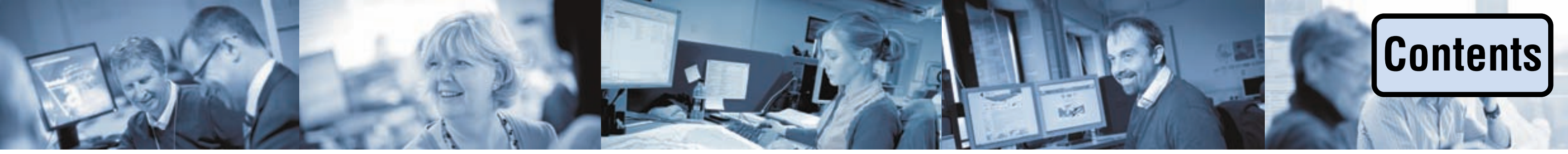
Interest paid and payable has arisen from financial liabilities classified as other liabilities measured at amortised cost. This is primarily interest payable on the MoD borrowings.

11. TAXATION

We are not subject to income or corporation tax in the UK. However, AHL is liable to pay corporation tax in the UK 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

2011/12	**£K**	**£K**	**£K ADUT**	**£K AHAPP**	**£K Total**
Profit on ordinary activities before tax		**32,175**			
Less UKHO profit	(30,242)				
Less AHL profit	(1,536)				
		(31,778)			
		397	352	48	
Write back of goodwill			(354)		
Other tax adjustments			(4)		
			(358)		
Taxable profit			**(6)**	**48**	
Tax rate %			32.275%	17%	
			(2)	8	
Singapore statutory stepped income exemption				(4)	
Taxable expense 2011/12			**(2)**	**4**	2



2012/13	£K	£K	£K AHAPP	£K Total
Profit on ordinary activities before tax		**22,491**		
Less UKHO profit	(22,379)			
Less AHL profit	(69)			
		(22,448)		
		43	43	
Taxable profit			**43**	
Tax rate %			17%	
			7	
Singapore statutory stepped income exemption			(4)	
Taxable expense 2012/13			**3**	3

AHAPP: Admiralty Hydrographic Asia Pacific Pte Ltd

ADUT: Admiralty Deutschland GmbH

12. DIVIDENDS

	2012/13 £K	2011/12 £K
Ordinary dividend	**11,274**	10,628
Special dividend	**0**	8,000
Total dividend	**11,274**	**18,628**

The ordinary dividend shows what has been declared for that corresponding year, the cash outflow is paid in the year following declaration. Special dividends are declared and paid in the same year.

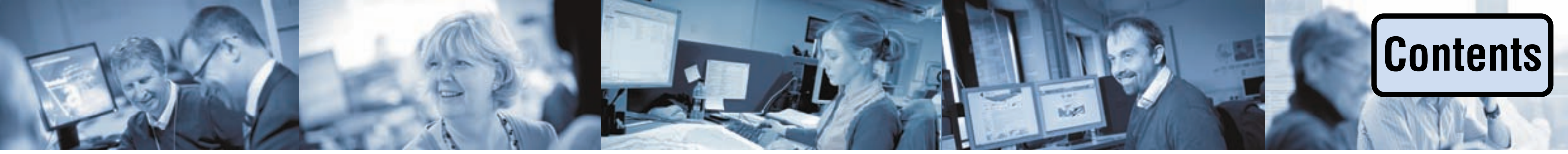
13A. INTANGIBLE NON-CURRENT ASSETS

Trading Fund	**Software Licences**	**Development Software**	**Assets under Construction**	**Total**
Cost or Valuation:	**£K**	**£K**	**£K**	**£K**
At 1 April 2011	15,041	16,647	8,743	40,431
Additions	684	3,029	90	3,803
Reclassification	0	8,743	(8,743)	0
Revaluation	0	(237)	0	(237)
Impairment	0	(23)	0	(23)
At 31 March 2012	**15,725**	**28,159**	**90**	**43,974**
At 1 April 2012	15,725	28,159	90	43,974
Additions	269	212	66	547
Revaluation	0	701	0	701
At 31 March 2013	**15,994**	**29,072**	**156**	**45,222**
Amortisation:				
At 1 April 2011	10,398	6,661	0	17,059
Charged	2,000	3,058	0	5,058
At 31 March 2012	**12,398**	**9,719**	**0**	**22,117**
At 1 April 2012	12,398	9,719	0	22,117
Charged	1,741	4,681	0	6,422
At 31 March 2013	**14,139**	**14,400**	**0**	**28,539**
Net Book Value:				
At 31 March 2013	**1,855**	**14,672**	**156**	**16,683**
At 31 March 2012	3,327	18,440	90	21,857

Under the cost model, the opening book value of development software as at 1 April 2012 was £18,509k (1 April 2011 £9,952k) and the carrying value at 31March 2013 was £13,974k (31 March 2012 £18,509k).

AHL has no intangible assets. The group intangible assets at 31 March 2013 were £16,683k (31 March 2012 £21,857k).

All intangible assets are owned by the UKHO.



13B. ANALYSIS OF INTANGIBLE NON-CURRENT ASSETS

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

Project	Description	Carrying value 31/03/2013 £K	Remaining amortisation period (months)
Development software			
e-Navigator	Admiralty e-Navigator is our integrated digital catalogue, product viewer and passage planning aid for organising, updating and consolidating all paper and digital information needed for planning safe voyages while simplifying essential tasks.	9,025	45
Maritime data project	The development of global, digital, vector based data and service capability.	2,631	60
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.	1,721	60
Hydrographic database (HDB)/chart production tools (CPT)	A structured store of vector hydrographic data from which a variety of products may be drawn.	761	9
		14,138	
Software licences			
HDB software	A structured store of vector hydrographic data from which a variety of products may be drawn.	765	9
CPT software	Products production software.	241	9
		1,006	

13C. PROPERTY, PLANT AND EQUIPMENT

Trading Fund	Freehold land	Buildings	Plant & machinery	Furniture & fittings	Information technology	Assets under construction	Total
Cost or valuation:	**£K**	**£K**	**£K**	**£K**	**£K**	**£K**	**£K**
At 1 April 2011	9,942	24,618	7,256	497	8,422	442	51,177
Additions	0	0	13	0	856	184	1,053
Reclassification	0	0	0	0	385	(385)	0
Disposals	0	0	(83)	(122)	(548)	0	(753)
Revaluation	284	4,873	62	0	0	0	5,219
Reclassification held-for-sale	0	0	(5)	0	0	0	(5)
At 31 March 2012	**10,226**	**29,491**	**7,243**	**375**	**9,115**	**241**	**56,691**
At 1 April 2012	10,226	29,491	7,243	375	9,115	241	56,691
Additions	0	0	89	0	500	437	1,026
Reclassification	0	318	(318)	0	232	(232)	0
Disposals	0	0	(147)	(101)	(206)	0	(454)
Revaluation	(1,703)	3,472	46	0	0	0	1,815
Reclassification held-for-sale	0	0	5	0	0	0	5
At 31 March 2013	**8,523**	**33,281**	**6,918**	**274**	**9,641**	**446**	**59,083**
Depreciation:							
At 1 April 2011	0	8,994	5,071	254	6,867	0	21,186
Charged	0	991	539	47	657	0	2,234
Disposals	0	0	(83)	(122)	(544)	0	(749)
Reclassification held-for-sale	0	0	(5)	0	0	0	(5)
At 31 March 2012	**0**	**9,985**	**5,522**	**179**	**6,980**	**0**	**22,666**
At 1 April 2012	0	9,985	5,522	179	6,980	0	22,666
Charged	0	1,198	421	27	711	0	2,357
Reclassification	0	276	(276)	0	0	0	0
Disposals	0	0	(143)	(101)	(204)	0	(448)
Reclassification held-for-sale	0	0	5	0	0	0	5
At 31 March 2013	**0**	**11,459**	**5,529**	**105**	**7,487**	**0**	**24,580**
Net book value:							
At 31 March 2013	**8,522**	**21,822**	**1,390**	**169**	**2,154**	**446**	**34,502**
At 31 March 2012	10,226	19,506	1,721	196	2,135	241	34,025

All tangible assets above are owned by the UKHO

AHL has no property, plant & equipment assets. The property, plant & equipment assets at 31 March 2013 were £34,502k (31 March 2012 £34,025k)

14. INVESTMENTS

	Group	Trading Fund (Note a)
	£K	£K
Analysis of loans		
1 April 2011	0	130
Movement in year	0	58
Net book value 31 March 2013	**0**	**188**

(a) Trading Fund investments include the capitalisation of long-term trading debts owed to the UKHO.

Holdings of more than 20%

We prepare group accounts under the guidance provided in *IAS 27 Consolidated Financial Statements*. Despite not having a direct investment interest in AHL, the board is capable of exercising and exercises, dominant influence over the activities and day-to-day operations of the corporate group through majority control of the board of directors of AHL and 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.

Following confirmation of our continued status as an MoD Trading Fund and in order to achieve cost savings, the commercial team located in Singapore and employed by Admiralty Hydrographic Asia Pacific Pte Ltd have been relocated into the British High Commission and the office closed. During 2013/14, Admiralty Hydrographic Asia Pacific Pte Ltd will become dormant and will be dissolved in due course. At this point, as it is currently the only trading subsidiary, AHL will also become dormant. This does not have any material effect on the AHL accounts prepared on a non-going concern basis.

	Country	Shares held		Capital and reserves	Profit
		Class	%	£K	£K
Subsidiary undertakings					
Admiralty Holdings Ltd	England	Ordinary	100	25	550
Subsidiaries of AHL					
Admiralty Hydrogaphic Asia Pacific Pte Ltd	Singapore	Ordinary	100	87	39
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

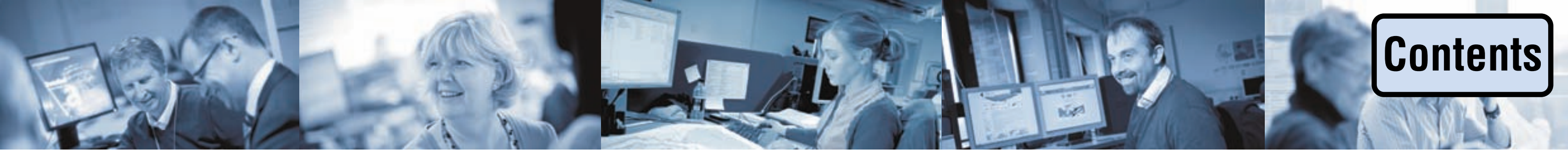
15. INVENTORIES

Trading Fund	**2012/13**	2011/12
	£K	£K
Materials	**1,912**	1,740
Work in progress	**574**	477
Finished inventories	**116**	57
Total inventories	**2,602**	2,274

AHL has no inventories

16. TRADE AND OTHER RECEIVABLES

	Note	**2012/13**	**2012/13**	2011/12	2011/12
	27			*Restated*	*Restated*
		Group	**Trading fund**	Group	Trading fund
		£K	**£K**	£K	£K
Falling due within one year					
Trade receivables		**20,873**	**20,880**	19,255	19,272
Prepayments & accrued income		**6,537**	**6,515**	5,521	5,453
Net investments & finance leases		**14**	**14**	10	10
Other receivables		**122**	**137**	32	222
Due within one year		**27,546**	**27,546**	24,818	24,957
Falling due after more than one year					
Deposits and advances		**0**	**0**	16	16
Due after more than one year		**0**	**0**	16	16
Total receivables		**27,546**	**27,546**	24,834	24,973
Analysis of total receivables					
Other central government bodies		**2,977**	**2,977**	1,970	1,970
Local authorities		**0**	**0**	28	28
Intra-government balances		**2,977**	**2,977**	1,998	1,998
Bodies external to government		**24,569**	**24,569**	22,836	22,975
Total receivables		**27,546**	**27,546**	24,834	24,973



17. CASH AND CASH EQUIVALENTS

	Note	2012/13	2012/13	2011/12 *Restated*	2011/12 *Restated*
	27	**Group**	**Trading fund**	Group	Trading fund
		£K	**£K**	£K	£K
Short-term deposits		**74,100**	**74,100**	89,000	89,000
Commercial banks and cash in hand		**36,166**	**35,944**	1,546	1,400
Net cash and cash equivalents		**110,266**	**110,044**	90,546	90,400

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

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and six months, depending on the immediate cash requirements and earn interest at the respective short-term deposit rates.

Net cash and cash equivalents held in currencies other than sterling have been converted into sterling at 31 March 2013 exchange rates.

Third party assets

We hold third party monies of £1.1m (2011/12 £0.5m). This relates to monies held on behalf of IC-ENC. We operate IC-ENC on behalf of the 28 member hydrographic offices. The accounts recognise the total liability to IC-ENC members together with the cash held on their behalf.

18. TRADE AND OTHER PAYABLES < 1 YEAR

	Note	2012/13	2012/13	2011/12 *Restated*	2011/12 *Restated*
	27	**Group**	**Trading fund**	Group	Trading fund
		£K	**£K**	£K	£K
Accruals and other deferred income		**23,350**	**23,364**	21,162	21,241
Proposed dividend		**11,274**	**11,274**	10,628	10,628
Trade payables		**9,170**	**9,188**	7,298	7,294
Other taxation and social security		**838**	**838**	815	815
Other payables		**134**	**134**	0	0
Total payables		**44,766**	**44,798**	39,903	39,978
Analysis of total payables					
Other central government bodies		**14,404**	**14,404**	13,182	13,182
Local authorities		**0**	**0**	27	27
Intra-government balances		**14,404**	**14,404**	13,209	13,209
Bodies external to government		**30,362**	**30,394**	26,694	26,769
Total payables		**44,766**	**44,798**	39,903	39,978

19. PROVISIONS

Trading Fund	Balance at 1 April 2011	Charged to operating cost	Unwinding of discount	Applied	Balance at 31 March 2012
	£K	£K	£K	£K	£K
Current liabilities					
Provision for sales credits	**3,121**	2,529	0	(2,389)	**3,261**
Provision for legal	**47**	(25)	0	(22)	**0**
Total current liabilities	**3,168**	2,504	0	(2,411)	**3,261**
Non-current liabilities					
Provision for rationalisation	**1,776**	(3)	32	(509)	**1,296**
Provision for early retirement	**324**	63	6	(130)	**263**
Provision for royalties	**149**	0	4	9	**162**
Total non-current liabilities	**2,249**	60	42	(630)	**1,721**

	Balance at 1 April 2012	Charged to operating cost	Unwinding of discount	Applied	Balance at 31 March 2013
	£K	£K	£K	£K	£K
Current liabilities					
Provision for sales credits	**3,261**	4,371	0	(3,801)	**3,831**
Total current liabilities	**3,261**	4,371	0	(3,801)	**3,831**
Non-current liabilities					
Provision for rationalisation	**1,296**	11	36	(399)	**944**
Provision for early retirement	**263**	23	7	(153)	**140**
Provision for royalties	**162**	0	4	1	**167**
Total non-current liabilities	**1,721**	34	47	(551)	**1,251**

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 2013/14.

Provision for rationalisation

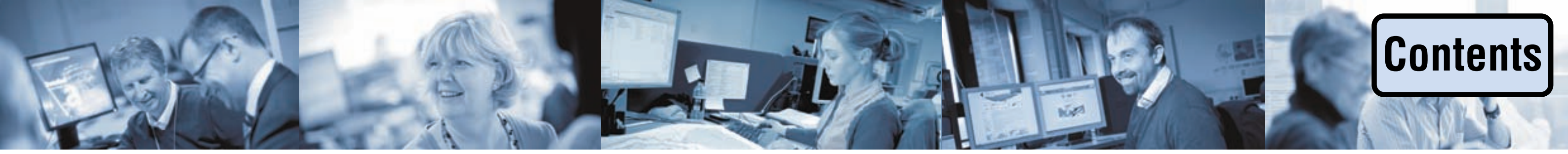
See Note 7

Provision for early retirement

This reflects the outstanding liability for early retirements arising from a variety of restructuring exercises undertaken in previous years. The provision has been discounted at 2.35%. The provision will be fully applied by 2015/16.

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.



20. LONG-TERM BORROWINGS

	Note	2012/13	2012/13	2011/12	2011/12
	27			*Restated*	*Restated*
		Group	**Trading Fund**	Group	Trading Fund
		£K	**£K**	£K	£K
Balance brought forward		**8,108**	**8,108**	8,692	8,692
Repayment of loan		**(635)**	**(635)**	(585)	(585)
Balance carried forward		**7,473**	**7,473**	8,108	8,108

A £13.5m loan was received from MoD in April 1996 and is repayable by instalments until 31 March 2021. Interest is charged at 8.375% per annum and the interest rate is fixed for the duration of the loan.

Analysis of repayments	**2012/13**	**2012/13**	2011/12	2011/12
	Group	**Trading Fund**	Group	Trading Fund
	£K	**£K**	£K	£K
Current liabilities				
Within 1 year	**689**	**689**	635	635
	689	**689**	635	635
Non-current liabilities				
Between 1 and 2 years	**747**	**747**	689	689
Between 2 and 5 years	**2,649**	**2,649**	2,440	2,440
After 5 years	**3,388**	**3,388**	4,344	4,344
	6,784	**6,784**	7,473	7,473
Total long-term borrowings	**7,473**	**7,473**	8,108	8,108

21. 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. We have 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 us 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

We are able to meet both our normal working capital requirements and future capital investments without recourse to borrowing. It is therefore not exposed to significant liquidity risks.

Interest rate risk

Our financial assets and liabilities that are subject to interest are assessed at fixed rates. We are not exposed to significant interest rate risk and there is no sensitivity analysis provided on this risk because all financial liabilities are subject to fixed rates.

Foreign currency risk

Our trading exposure to foreign currency risk is not significant. 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 loan received from MoD has been classified as other financial liabilities and is held at amortised cost. The current value of all our financial instruments are considered to equate to fair value at the 31March 2013.

Financial instruments

IFRS 7 Financial instruments, disclosures, requires us 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 we are exposed and how these risks are managed. For each type of credit risk arising from financial instruments, we are also required to provide summary quantitative data about our exposure to the credit risk at the reporting date. At 31 March 2013, we had no material risks arising from our financial instruments that arise in the course of normal business operational activities.

We are 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 2013 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.

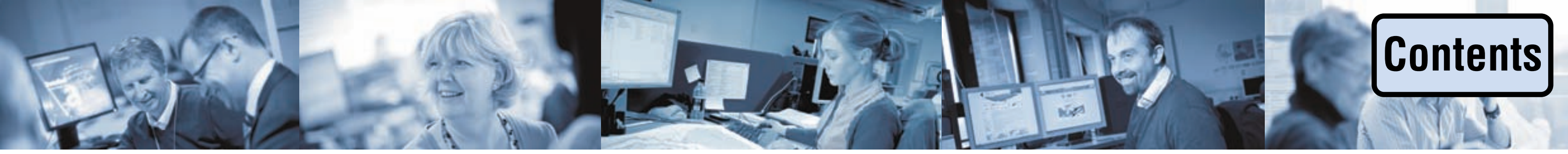
Significant accounting policies

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

2011/12	**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	19,038	32	38	43	19,151
Receivables beyond the due date - impaired	0	0	0	25	25
Gross receivables total	19,038	32	38	68	19,176
Bad debt provision	0	0	0	(25)	(25)
Net total receivables beyond the due date	**19,038**	**32**	**38**	**43**	**19,151**

2012/13	**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	20,383	39	2	15	20,439
Receivables beyond the due date - impaired	58	31	0	36	125
Gross receivables total	20,441	70	2	51	20,564
Bad debt provision	(58)	(31)	0	(36)	(125)
Net total receivables beyond the due date	**20,383**	**39**	**2**	**15**	**20,439**



Categories of financial instruments

Please refer to note 1:- accounting policies for details of the financial assets and liabilities

Group	Note	**Carrying value 31 March 2013**	Carrying value 31 March 2012 *Restated*
	27	**£K**	£K
Financial assets			
Loans and receivables (including cash and cash equivalents)		**133,462**	111,182
		133,462	111,182
Financial liabilities			
Other financial liabilities		**42,780**	39,842
		42,780	39,842

We have 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.

22. COMMITMENTS UNDER LEASES

Operating leases

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

The UKHO has two building leases:-

Additional office space at the UKHO site - expires in 2013/14 and an office within AHL in Singapore - expires in March 2013.

Vehicles were leased under the Babock International Group Plc, this expired in 2013. All other equipment is leased from commercial suppliers on two-three year contracts.

	2012/13 Group £K	**2012/13 Trading Fund £K**	2011/12 Group £K	2011/12 Trading Fund £K
Property				
Due within one year	**70**	**70**	230	162
Due after one year but within 5 years	**0**	**0**	130	130
Total	**70**	**70**	360	292
Plant and equipment				
Due within one year	**18**	**18**	20	20
Due after one year but within 5 years	**30**	**30**	36	36
Total	**48**	**48**	56	56
Vehicles				
Due within one year	**0**	**0**	11	11
Due after one year but within 5 years	**0**	**0**	42	42
Total	**0**	**0**	53	53

23. CAPITAL COMMITMENTS

Trading fund	**2012/13**	2011/12
	£K	£K
Capital expenditure that has been contracted for, but has not been provided in these accounts		
Property, plant & equipment	**0**	1,427
Intangible assets	**408**	0
Total capital commitments	**408**	1,427

24. RECONCILIATION OF PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST TO GROUP NET CASH INFLOW FROM OPERATING ACTIVITIES

	Note	**2012/13**	2011/12
	27		*Restated*
		£K	£K
Group profit on ordinary activities before interest and and after exceptionals		**22,931**	31,710
Depreciation & amortisation		**8,779**	7,292
Depreciation discontinued operation		**0**	41
Impairment		**0**	23
Loss on sale and disposal of non-current assets		**6**	4
(Increase) in inventories		**(328)**	(303)
(Increase)/decrease in receivables		**(2,712)**	1,068
Increase in payables		**3,920**	3,993
Increase/(decrease) in provisions		**100**	(435)
IC-ENC reclassification		**0**	172
Group net cash inflow from operating activities		**32,696**	43,565

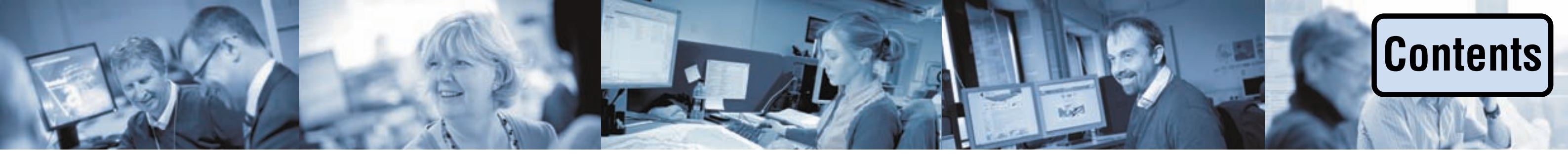
25. CONTINGENT LIABILITIES

There have been no contingent liabilities during 2012/13.

26. LOSSES AND SPECIAL PAYMENTS

During the year, we made a compensation payment of £20,000 (2011/12; £0) which falls within the category of special payments as defined in *Managing Public Money*. This payment was made in response to pending litigation following a member of staff being dismissed. HM Treasury granted approval for this payment.

There were no unrecoverable trade receivables, write-offs in respect of fruitless payments, unrecoverable overpayments to staff or special severance payments (2011/12: none).



27. PRIOR PERIOD ADJUSTMENTS – IC-ENC

Reconciliation of revised retained profit for 2011/12

	Note	£K
Retained profit for 2011/12 prior to adjustments*		**12,204**
Prior period adjustment resulting in the change of accounting policy for IC-ENC	1C	
Increase in income		885
Decrease in operating charges		(1,476)
Retained profit for 2011/12	**SOCI**	**11,613**

* As published in the 2011/12 accounts

Reconciliation of revised taxpayers' equity for 2011/12

	Note	£K
Taxpayers' equity for 2011/12 prior to adjustments*		**88,081**
Prior period adjustment resulting in the change of accounting policy for IC-ENC	1C	
Decrease in payables		127
Decrease in receivables		(703)
Decrease in cash		(2)
Restated taxpayers' equity for 2011/12	**SOFP**	**87,503**

* As published in the 2011/12 accounts

During the year, the UKHO accounts were amended to reflect a change in accounting policy in respect of IC-ENC. We recognise the total liability to IC-ENC members together with the cash held on their behalf.

In 2011/12 accounts, we reported the surplus of £591k, a prior period adjustment has been made to reflect this change. All inter-company trading between us and IC-ENC has been removed. The Statement of Comprehensive Income; Statement of Financial Position; Statement of Changes in Taxpayers' Equity and relevant notes have been restated for the previous year.

28. RELATED PARTY TRANSACTIONS

UKHO is a Trading Fund owned by MoD.

The MoD as our parent department is regarded as a related party. During the year, we have also entered into material transactions with the department and with other entities for which the department is regarded as the parent department viz. All these transactions were carried out under contract terms and subject to the normal course of internal and external audit.

Other related parties:-

In addition, we have had various material transactions with other Government departments and other central Government bodies. Most of these transactions have been with the Cabinet Office, PCSPS and HMRC: employer's and employee's income tax and national insurance.

All transactions are carried out on standard contract terms and are subject to the normal course of internal and external audit.

AHL – The group accounts incorporate those of the Trading Fund together with those of AHL and its subsidiary undertakings.

A director of UKHO had, within the previous 12 months, also been a director of an AHL subisidiary; Admiralty Deutschland GmbH, who in turn owned a distributor of UKHO, ChartWorld. He has not been involved in any contract negotiations or commitments with the company. Admiralty Deutschland GmbH together with its subsidiary, Chartworld was sold in 2011/12.

The spouse of a senior manager is the UK representative of the IIC Technologies group with whom we 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 2012/13, payments made to IIC Technologies totalled £750,626 (2011/12: £835,426).

All figures reported exclude VAT.

29. EVENTS AFTER THE REPORTING PERIOD

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

30. AUTHORISATION OF ACCOUNTS

The accounts were authorised for issue on the date of certification by the Comptroller and Auditor General.

Contents

SUSTAINABILITY REPORT FOR 2012/13

The report is produced in line with the latest public sector reporting requirements on sustainability, as detailed in the FReM.

We have made significant progress in meeting its sustainability targets in recent years, making significant reductions on baseline years in all areas below: emissions, waste, water and energy.

We are actively looking at undertaking a range of green commuter travel initiatives, these should take affect during 2013/14.

The following provides a breakdown of performance in key environmental areas:

Emissions

	Notes	2012/13	2011/12	2010/11
		tCO^{2}e	tCO^{2}e	tCO^{2}e
Gross emissions for scopes 1 & 2 (energy)				
Electric		3,452	3,741	3,782
Gas		708	625	812
Total Gross emissions for Scopes 1 & 2 (energy)		4,160	4,366	4,594
Emissions from organisation owned fleet vehicles		12	18	20
Total gross emissions for Scopes 1 & 2		**4,172**	**4,384**	**4,614**
Gross emissions scope 3 (business travel)	a & b	42	34	18
Total gross emissions for scopes 1,2 & 3		**4,214**	**4,418**	**4,632**
Net emissions for scopes 1 & 2		4,172	4,384	4,614
Net emissions for scope 3 (business travel)		42	34	18
		£K	**£K**	**£K**
Expenditure on official business travel		788	1072	1087
Expenditure on energy		705	687	622
Total expenditure on energy and business travel		**1,493**	**1759**	**1709**

tCO^{2}e: Tonnes of CO2 equivalent

a. For comparative purposes in 2010/11, we were limited with the information available to extract gross emissions scope 3 data for business travel. The data was not collected or reported in this method during these years We have processes in place to ensure these are reported on a regular basis.

b. Gross emissions scope 3 (business travel) for rail only includes UK travel.

Targets and Commentary

We have significantly reduced our carbon footprint by 25% in the past few years, although the prolonged colder weather and increase in staff numbers coupled with the need to temporarily lease additional office space has meant that further efficiencies have not as yet been achieved.

Direct impacts commentary

The main impacts for us in terms of carbon emissions are our electricity and fuel consumption. Strategies are in place to reduce these impacts through a range of efficiency programmes.

Overview of direct impacts

We are able to influence the emissions of our supply chain significantly through procurement specifications.

Waste

		2012/13 tonnes	2011/12 tonnes	2010/11 tonnes
Non hazardous waste	Reused/recycled Incinerated/energy from waste	463	335	180
	Landfill	29	0	40
Hazardous waste	Reused/recycled	11	12	0
Total waste		**503**	**347**	**220**

Targets and commentary

We continue to exceed MoD agreed targets for reducing waste to landfill. We generated approximately 341 tonnes of residual office waste, 97% we recycled. Note; this does not include the chart paper waste which is 100% recycled.

Direct Impacts commentary

We undertake regular waste audits and visits to the waste contractors, as well as providing opportunities to recycle up to 23 different waste streams from our offices and work enviroments.

Overview of indirect impacts

We continue to place certain quality objectives on our suppliers in terms of their waste disposal performance and remain committed to work alongside them to improve the culture and actual performance in relation to waste management and disposal.

Water

	2012/13	2011/12	2010/11
	M³	**M³**	**M³**
Water consumption	10,745	8,410	11,991
	£K	**£K**	**£K**
Water supply costs	42	34	43

M³: cubic metres

Targets and commentary

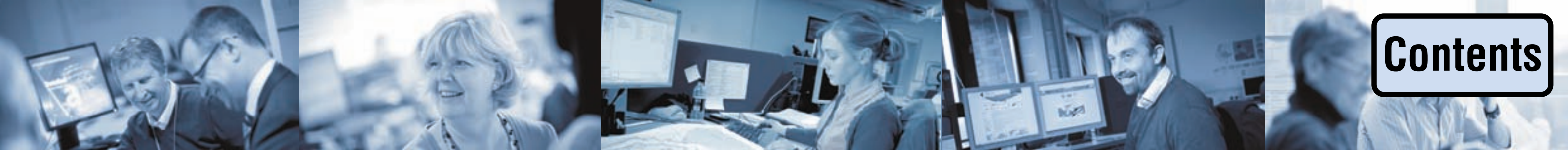
Water consumption has seen a rise of 16% from the previous year, as a result the local water authority is investigating, but an increase in staff numbers has contributed to this increase.

Direct impacts and commentary

Our on site print production consumes water. Procurement of more efficient machinery will assist in reducing consumption. Most water on site is consumed in washrooms & kitchens, equipment has been installed in these areas to reduce consumption.

Overview of indirect impacts

We procure our water supply in accordance with Government sustainability guidelines.



Energy

		2012/13 M KWh	2011/12 M KWh	2010/11 M KWh
Energy consumption	Renewable electricity	6.51	7.06	7.14
	Gas	3.73	3.29	4.28
		£K	**£K**	**£K**
Total energy expenditure		**705**	**687**	**622**

Targets and commentary

This year has seen no noticeable reduction.

Direct Impacts commentary

Our main areas for energy consumption are running the printing presses, powering the server rooms and lighting, heating and cooling our offices. Our overall energy consumption is highly dependant upon the weather. We are working to ensure that operational equipment usage is as energy efficient as possible.

Overview of indirect impacts

We have in previous years reduced our own energy consumption, although this year due to weather and increase in staff numbers sustaining continued efficiency savings has not been possible, but we remain committed to the principle of energy reduction.

Biodiversity and adaption action plans

Biodiversity and climate adaption planning is very much in its infancy. Discussion documents are being drafted and will be agreed by management by the end of 2012/13.

Sustainability procurement commentary

We have implemented a number of measures in order to embed sustainability into our supplier selection process and seek evidence and innovation from the market place in order to procure sustainably. Contracts specifications and terms and conditions include environmental factors which reflect the consumption of our large print production facility, as well as social considerations such as equality and diversity.

Whole-life cost analysis is undertaken for relevant contracts and targets are agreed and reviewed with suppliers as part of our supplier review agenda. We have also adopted simple incentive initiatives where appropriate. Training forms part of our induction process and success is measured as part of our own internal performance appraisal process. We believe we are pro-actively supporting the sustainability agenda.

Notes:

1. The above report has been prepared in accordance with guidance laid down by HM Treasury in 'Public Sector Sustainability Reporting' published at www.financial-reporting.gov.uk. These requirements are fully consistent with non-financial information requirements laid down under the Green Government commitments (including the transparency requirements).
2. Emissions accounting includes all scope 1 and 2 emissions along with separately identified emissions related to official travel (scope 3). Department for the Environment, Food and Rural affairs conversion rates have been used to account for carbon.
3. There were no changes to accounting policies or boundaries that impacted prior year or year-on-year carbon reporting.

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