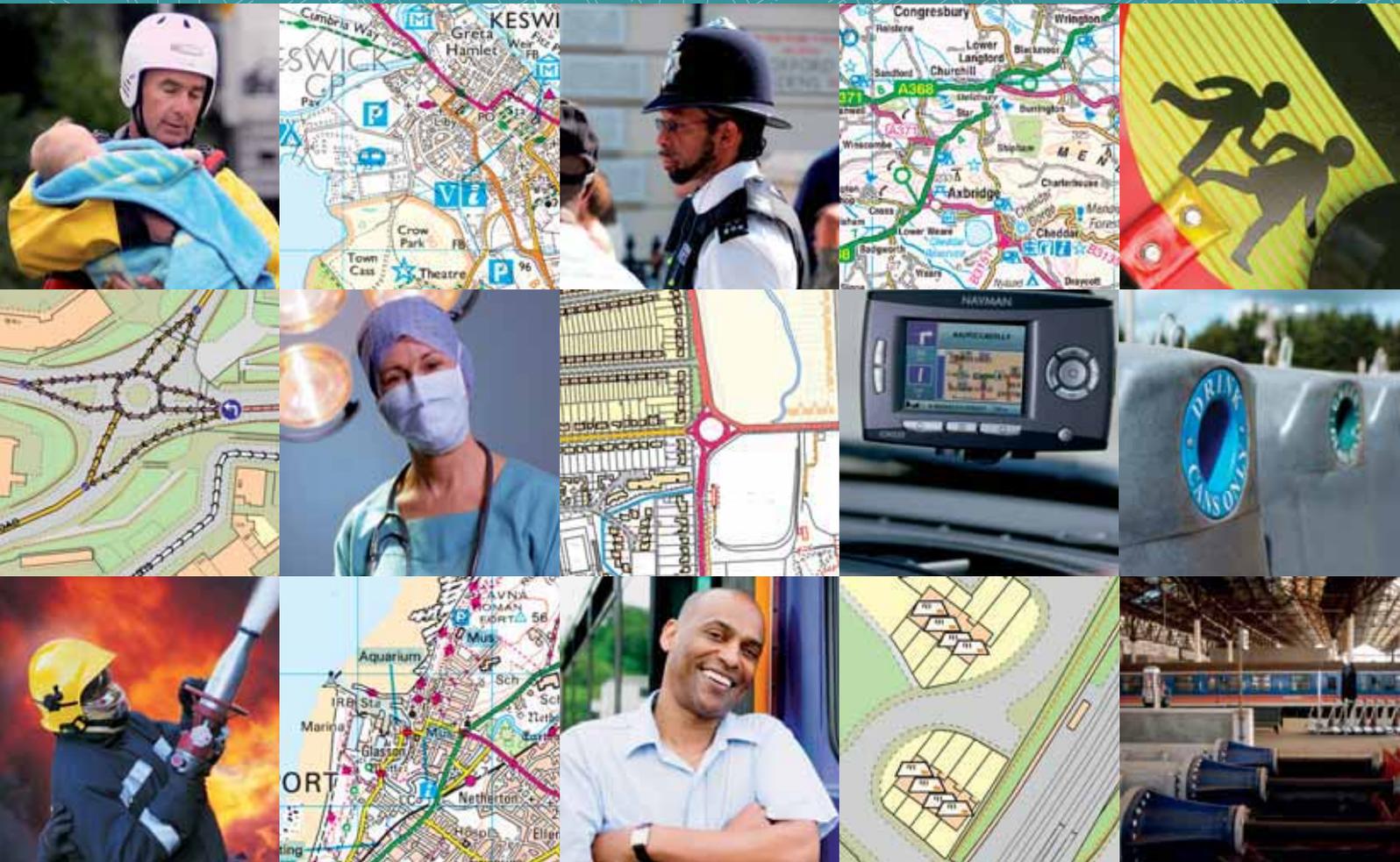


Annual Report and Accounts 2008–09







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Who we are and what we do





Ordnance Survey is Great Britain's national mapping agency. It is our job to collect, maintain and distribute the most accurate and up-to-date geographic information of the whole country that government, business and individuals all rely upon.

We generate our revenue through licensing the intellectual property rights in our data under Crown copyright. We do this directly to customers and via more than 500 private sector partners, including value-added resellers, our specialist network of retailers called Ordnance Survey Mapping and Data Centres and a wide range of publishers. We invest heavily in attracting partners to deliver customer-led solutions to meet market demand.

We are a non-ministerial government department and an Executive Agency responsible to the Secretary of State for Communities and Local Government (CLG).

We operate as a Trading Fund under the Government Trading Funds Act 1973 and The Ordnance Survey Trading Fund Order 1999.

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

Introduction from the Chairman



Ordnance Survey is a much-admired brand with a long-standing reputation built on the quality of its information. It is, therefore, a great privilege to join the organisation as its first Non-Executive Chairman at a particularly exciting time in its 218-year history.

My appointment, by Iain Wright MP, the minister responsible for Ordnance Survey, puts a modern governance structure in place which brings the organisation in line with other Trading Funds with Non-Executive Chairs, such as the Met Office and the UK Hydrographic Office.

My primary responsibility is to lead the Strategy Board and work with the other Non-Executive Directors, Vanessa Lawrence and Executive Board to develop and deliver the organisation's strategic direction. My role is also to support and

challenge the Executive Board to deliver against the key performance targets set by government.

I report to the Shareholder Executive, the body that advises Ministers and senior officials on the government's shareholding in organisations like Ordnance Survey.

My first task has been to work with the Board on a comprehensive review of Ordnance Survey's strategy. Vanessa, the Executive team and staff have been invaluable in helping to achieve this and I should like to thank them for contributing to this work whilst also continuing the day-to-day running of the business. Together we have developed a strategy unique to Ordnance Survey that gives staff the freedom to act, take control and create their own future to set Ordnance Survey on the path to long-term sustainability.

The new strategy, published by the Government in April 2009, is customer-orientated with the aim of growing the scale and scope of commercial and non-commercial use of geographic information at its core. It balances the need to maintain the highest quality standards with the need to stimulate innovation in the geographic information market and make data more widely available.

While we continue to be self-funded and earn revenue by licensing our information, our new strategy will make sure it is easier to access our data and services. We must, however, continue to provide value for money in everything we do; and our processes, productivity and individual accountability must be absolutely right.

I have been most impressed by the expertise, experience and enthusiasm of Ordnance Survey's staff. They, of course, play a vital role in ensuring our continued success and I look forward to working with them to deliver the new strategy, which I am confident will meet the needs of customers both now and in the future.

Rob Margetts

**Sir Rob Margetts CBE, FREng,
FIChemE
Non-Executive Chairman**

Director General and Chief Executive's overview

Now, more than ever before, place really does matter and customers' use of geographic information has never been greater – from use within government planning and policy, to use within the new mobile technologies. Here in Great Britain, many of these applications, and in turn their users, continue to rely on Ordnance Survey data.

The past year has been important for both Ordnance Survey and the industry as a whole. With geographic information now underpinning daily decision-making for millions of people worldwide, we welcome the publication of *Place Matters: The Location Strategy for the United Kingdom*. Implementation of this will maximise the value of geographic data for the public and private sector. We were very pleased to contribute to its development and look forward to playing our part in delivering its goals.

Geographic information supports a diverse range of government applications, including monitoring agricultural payments, planning the digital television switch over, estate management and habitat mapping. We are delighted to have been chosen, alongside our business partners Landmark® and Dotted Eyes®, to supply central government with a wide range of geographic data for the next four years. We believe this reflects the enduring quality and consistency of our mapping and the level of service that we offer.

The widespread use of location data means that interpreting geographic information – on a paper map or on the computer screen – will help children throughout their lives. This year we were very pleased to give away the five millionth map in our Free maps for 11-year-olds scheme to help support these vital skills.

We also marked the start of building work on our new head office. Situated



on the outskirts of Southampton, our home for over 160 years, this is a sound investment which recognises future needs and patterns of work. I am thrilled that our vision of providing efficient, attractive working conditions for our staff is becoming a reality. We expect to move to our new head office at the end of 2010.

During the year we also have continued to work with the Government's Trading Funds Assessment team. This resulted in our new business strategy, which will improve ease of access to our geographic data and services for both commercial and non-commercial use. The launch of our enhanced web-mapping portal, OS OpenSpace®, marked the first milestone in its implementation.

The strategy represents the opening of the next exciting chapter in our long history. I am delighted we have achieved

the modernisation of our governance structure and I and the Executive team have enjoyed working with Sir Rob since he joined us in August 2008. With his outstanding record of business leadership and organisational development, I know that his knowledge, skills and expertise will be invaluable as we move forward.

We have an exciting year ahead and remain committed to both maintaining the highest quality geographic data, which will continue to underpin our daily lives, as well as increasing opportunities for innovative new consumer and business ideas.

Vanessa V Lawrence CB
Director General and Chief Executive

Business performance

Key performance targets

Our business performance is measured externally against five annual targets set by government. They reflect our focus on financial stability, efficiencies in data collection and supply, reducing carbon emissions and growing business over the Internet. We met all five targets for 2008–09 as shown below.

Finance

To achieve an operating profit before interest and dividends of £15.7 million. Actual performance: £16.3 million.

Data currency

To ensure that 99.6% of significant real-world features, which are greater than six months old, are represented in Ordnance Survey's geographic data. Actual performance: 99.9%. Currency and completeness of the database are measured through monthly audit samples carried out on the ground independently from our field surveyors. The results are verified and collated to inform the annual measure.

Data supply

To continuously improve the timeliness of the supply of our data to customers with a success rate not lower than 97%. Actual performance: 99.6%. The target has been achieved by making improvements to the order management process so that agreed timescales are met. The process includes classification of orders by criteria, such as priority, size, customer type and market sector. This is particularly relevant if for any reason the service is interrupted.

Carbon emissions

To reduce carbon emissions from Ordnance Survey head office by 30% against the base year of 2000–01. Actual performance: 36% reduction. The target has been met by combined effect of procuring renewable electricity from the grid and good management of our own combined heat and power unit.

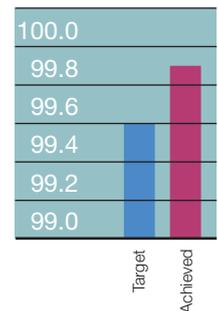
Internet business – 2008–09

To achieve an improvement of 5% in business on 2007–08 baseline transaction levels (a rise from 94 816 to 99 557) with customers transacted through the OS MasterMap Service and Consumer e-Commerce platform. The monitor counts the number of individual items ordered, not the number of orders. Actual performance: 106 806 transactions, an improvement of 12.6%.

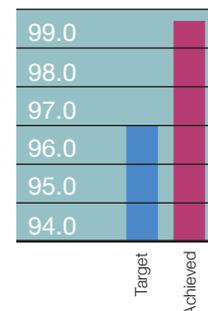
Operating profit
£million



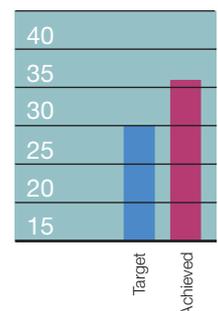
Data currency
%



Data supply
%



Carbon emissions
%



Internet business
%



Vanessa V Lawrence CB
Director General and Chief Executive
30 June 2009

Mark Alexander
Finance Director
30 June 2009



Our new business strategy was announced in April 2009 as part of the Treasury's Operational Efficiency Programme report and the Trading Funds Assessment; following considerable work during 2008–09.

The guiding principle of the Trading Funds Assessment, announced in the 2008 Budget Report and led by the Shareholder Executive with support from the Treasury and the Office of Public Sector Information, was to ensure information is made available as widely as possible for the benefit of the economy whilst making sure that customers pay a fair contribution to the costs of collection in the long term. The Met Office®, HM Land Registry®, DVLA and Companies House were among the Trading Funds included in the review.

The review concluded that the data Ordnance Survey produces was more likely to be maintained at high-quality levels under a commercial, revenue-funded model, rather than through direct funding from taxation. Our customers told the review team that the quality of the data was important to them, but they wished us to provide easier access to it so they can use it more widely in their own business or in new products for both business and consumers.

Our new business strategy is customer-focused and has been developed with Government to address these issues. It sets out a series of reforms for creating simpler and easier access to geographic data. We will continue to be self-funded and earn revenue by licensing our data, but we will make sure it is easier for customers and other businesses to access our data and services.

The strategy focuses on five key areas:

- Promoting innovation – our goal is to grow the scale and scope of use of geographic information for business, social and individual use.
- Reforming our licensing framework – so that it is much simpler to use our data and services in other applications.
- Reducing costs over time – to ensure that we continue to offer value for money.
- Supporting the sharing of information across the public sector – to enable better public policy and services.
- Creating an innovative trading entity – to explore commercial opportunities around providing a better platform for users to access our products.

The May 2009 launch of the enhanced free-to-use OS OpenSpace service marked a milestone in the strategy's implementation. OS OpenSpace now provides everyone access to our mapping to allow experimentation with digital information and a clear path from this service to greater commercialisation. As well as new terms that allow businesses to use the service, boundary information is also available for the first time, making it possible for users to display information based on administrative regions.

We are also creating an 'innovation network', called GeoVation. This will help individuals as well as small and large organisations to develop ideas and deliver projects through making connections with other network members who can help them with the development of technology, services, products and financial backing.

The Government has set key milestones for delivery of the strategy over the next year and the Shareholder Executive and the Office of Public Sector Information, in consultation with the Office of Fair Trading, will be regularly reviewing progress.

The strategy represents the opening of the next exciting chapter in our long history. We are committed to both maintaining the highest quality geographic data, which will continue to underpin our daily lives, as well as increasing opportunities for innovative new consumer and business ideas.

Strategic context

The strategic context in which we work is affected by a number of developments in government policy at both national and European level. We played a significant role in the development of *Place Matters: The Location Strategy for the United Kingdom* published in November 2008. This will provide a consistent framework to assist national, regional and local initiatives and service delivery and sets out government policy on geographic information to maximise its value to the public and private sectors.

The preparation and drafting of the strategy was a key focus for the UK GI Panel, chaired by Vanessa Lawrence, our Director General and Chief Executive. The panel has now been closed as Defra is leading the delivery of both the UK Location Strategy and the INSPIRE Directive. INSPIRE is timetabled for transposition into UK law this year and lays down general rules that aim to establish the infrastructure for spatial information in the European Community for environmental policies and activities.



With the potential to power a town the size of Paisley, Black Law is now the largest operating wind farm in the UK. This remarkable project has helped regenerate this landscape, transforming an old open-cast coal mine into a development providing clean, renewable energy. It symbolises our determination to turn Scotland into a powerhouse of renewable energy.



Iain Wright MP, UK
Parliamentary
Under-Secretary of
State for Communities
and Local Government
and The Scottish
Finance Secretary,
John Swinney,
sign the Scottish
Government's One
Scotland Agreement,
which covers local and
central government as
well as some health
organisations.



As a responsible and authoritative player in the geographic information industry, we continue to contribute positively to the realisation of these initiatives by providing resources and expertise. Vanessa Lawrence is a key member of the Location Council, the common governing body coordinating their delivery, and Keith Murray, our Head of GI Strategy, has been seconded to Defra to help with implementation. At EU level we have provided significant resources to develop the detail of INSPIRE – particularly the technical elements concerning how it will actually work – to help avoid duplication and ensure the alignment of national policies.

While this participation enables us to ensure our activities, products and services are aligned to UK and EU location policies and deliver better value to stakeholders, it is too early to say what exact impact these initiatives will have on our work. We are, however, ensuring that we not only comply with our statutory requirements, but also anticipate and meet customer demands and continue to seek opportunities to realise benefits in line with our new business strategy announced in April 2009.

The creation of the Department of Energy and Climate Change (DECC) gives even greater focus to solving the twin challenges of climate change and energy supply. Formed in response to *The Pitt Review – Lessons Learnt from the 2007 Floods*, this new department is raising awareness of the importance of good quality geographic information in collaborative initiatives, such as Atlantis, which is looking at better flood management.

Changing markets

The current economic climate is impacting on almost all our key sectors, with

organisations focusing on cost control and maximising return on investment. Trading conditions are challenging, but the downturn is creating opportunities as well as potential losses to our revenue streams. Revenue from the public-sector market has fallen, largely as a result of a reduction in surveys carried out on behalf of HM Land Registry due to the downturn's impact on the land and property market. Gains were achieved, however, in the transport, personal navigation, and banking, finance and insurance sectors.

Public-sector customers remain under pressure to reduce expenditure, while protecting or improving services to citizens. We firmly believe, however, that access to high-quality geographic information has an important part to play in the cost-effective delivery of government policy.

Ordnance Survey operates primarily in data provision. Our core market proposition is the currency, accuracy and completeness of our information and we continue to focus on improving our information in line with customer needs.

Our role is to meet the demand for high-quality nationwide data that can be shared among many users to agreed standards, while continuing to serve the national interest.

Our key sectors: public sector, utilities, commercial and consumer

Public sector

We supply information to the public sector through four collective agreements, including local government, central government and the NHS. A one-year extension to the Mapping Services Agreement for local government was

signed in March 2009. Ordnance Survey and its partners will supply our information under the new four-year Pan Government Agreement, which started in April 2009. This provides a strong platform to increase central government's use of geographic information for the benefit of the public. Also signed in 2009 was the Scottish Government's One Scotland Agreement, which covers local and central government as well as some health organisations.

We have been actively supporting one of our partners, Dotted Eyes, in their servicing of an agreement to supply the NHS with products based on our data. Other activities during the past year have included providing advice and consultancy to help local authorities manage their positional accuracy improvement programmes. The current economic climate is having an impact on public-sector spending.

Utilities

In the utility sector capital investment spend is aimed at meeting the regulatory cycles. The Traffic Management Act is underpinning a need for accurate and up-to-date large-scale geographic information. The economic downturn therefore has not yet had a significant impact on our revenue stream from this market.

Increasing regulatory pressure to improve services is a key driver for the market. Others include reducing costs for the customer, identifying faults more rapidly, improving emergency planning and responding to customer needs more efficiently. Our highly detailed data facilitates a consistent and flexible exchange of information and is used to support customer management, the planning and maintenance of infrastructure networks and coordinating street works.



As a direct result of mergers and acquisitions within the utility industry, we have provided advice and consultancy to new companies, helping them to de-duplicate and manage their data holdings and migrate to OS MasterMap® Topography Layer.

We have worked with BT and QinetiQ® on a joint TSB®-funded intelligent transport system (ITS) proposal under the applied technology stream of the Department for Business, Enterprise and Regulatory Reform (BERR) match funding. With a global demand for ITS, it is hoped that demonstrating its success in one of the most congested parts of the world will provide the ideal stepping stone for UK companies to tap into the international market.

Commercial

Banking, finance and insurance

The financial sector is seeing increased merger and acquisition activity as a result of the current economic climate. While we believe that a renewed focus on cost control will make investment in data and new systems challenging, there are opportunities for the use of our data in areas such as fraud reduction, flood modelling and risk accumulation. We have held a number of marketing events to highlight these benefits to the insurance sector and our detailed addressing information is now being used on an enterprise basis by five of the large insurers. This demonstrates both the need for accurate address data at an individual property level and our ability to work with partners to deliver location-enabled solutions.



Land and property

Government plans to bring forward spending on major infrastructure projects has boosted activity for some large contracting companies and, while there are indications that the decline in property transactions is beginning to level off, trading conditions for the residential housing and commercial development markets remain difficult. Our partners serving these sectors have been most affected by the downturn.

Economic conditions mean that it has become imperative for those holding property portfolios to manage their assets to maximise investment returns. We have worked successfully with housing associations and large estates to provide appropriate information to complement their existing data holdings. We have also carried out a marketing campaign to raise awareness of the benefits of licensed data, which we hope will reduce unlicensed/grey market data use over the coming years.

Transport

The current economic climate means customers are looking to maximise investment in vehicle fleets and reduce operating costs by minimising journey times. In addition, environmental concerns, such as carbon emissions, continue to have an influence on fleet operators. We have been demonstrating the advantages of using our information, including OS MasterMap Integrated Transport Network™ Layer, to meet these challenges.

Consumer market

Outdoor leisure

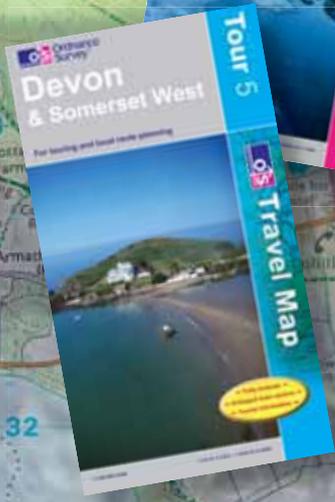
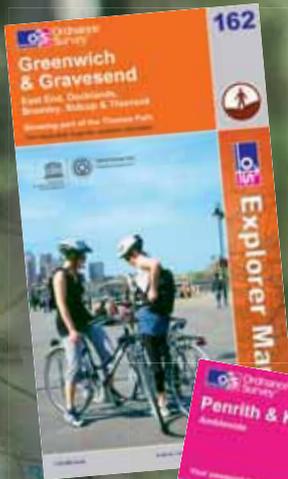
The outdoor leisure sectors have been extremely challenging. Retailers and wholesalers remain under pressure to reduce costs, for example, by making improvements to their supply chains, and consumers are cutting their discretionary spend.

While Nielsen BookScan data shows that across all map and atlas categories volumes of sales fell by an average of 16.6% in 2008, our paper map sales declined by 5.8% to outperform the rest of the sector.

Personal navigation

Although providing significant growth over the last few years, the personal navigation market has been affected by the global recession and has seen a number of alliances, mergers and acquisitions. The total number of personal navigation devices (PNDs) shipped worldwide in the second half of 2008 was much lower than in the first half.

The shift in technology continues, through convergence and interoperability, as more mobile phones come with GPS capability and the market dynamics change in favour of mobile providers. The demand for increased functionality and data content also continues to rise. We have been working with content aggregators to make our data available in portable devices under licensing terms and prices that are acceptable to the market.



Ordnance Survey achieved a surplus on ordinary activities before interest and dividend payable for the year of £16.3 million (2007–08: £22.5 million). The underlying reduction in profit reflects an increase in operating costs of £4.7 million and a reduction in turnover of £1.5 million.

Turnover

Ordnance Survey has continued to perform well given general economic conditions, which have particularly impacted revenue in the land and property market. Turnover decreased by £1.5 million (1%) in the year to £117.2 million (2007–08: £118.7 million), as set out in the table below.

Analysis of turnover

£million	2008–09	2007–08
Trading activities	116.0	116.9
Other operating activities	0.6	1.3
Operating activities	116.6	118.2
Investment property income	0.6	0.5
	117.2	118.7

Trading activities are commented on separately below.

Other operating activities include the provision of services to the tenants of Ordnance Survey's investment property and subleased properties.

Trading activities

Ordnance Survey's principal activities comprise data licensing, paper map sales, and surveying, cartographic and printing services, as analysed in the table below.

Analysis of turnover from trading activities

£ million	2008–09	2007–08
Direct licences	73.2	74.0
Partner licences	29.1	27.4
Total licences	102.3	101.4
Paper maps	8.9	9.6
Services	4.8	5.9
	116.0	116.9

Key changes in trading activities over the year were:

Direct licences – down £0.8 million (1%) due to a small number of customers moving from direct licences to those supplied through the partner channel.

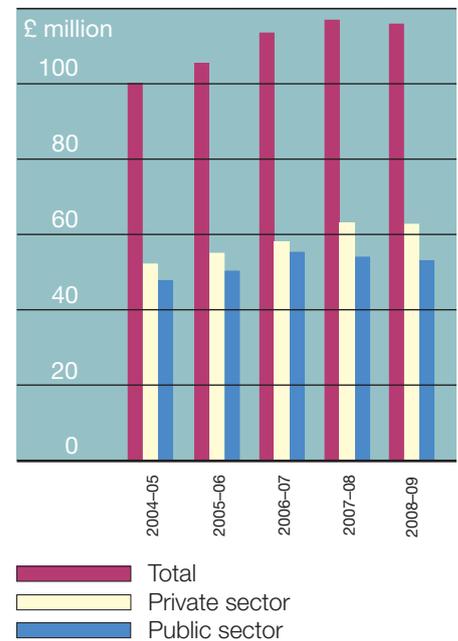
Partner licences – up £1.7 million (6%) as a result of the switch from direct licences, and growth in the transport and personal navigation markets, partially offset by a fall in revenue in the land and property market.

Paper maps – down £0.7 million (7%), reflecting the general economic downturn in high street sales.

Services – down £1.1 million (19%) due to a reduction in surveying services provided to HM Land Registry as a result of the downturn in the land and property market.

Revenue from trading activities is also analysed by private and public sector, as shown in the graph below.

Private and public trading activities



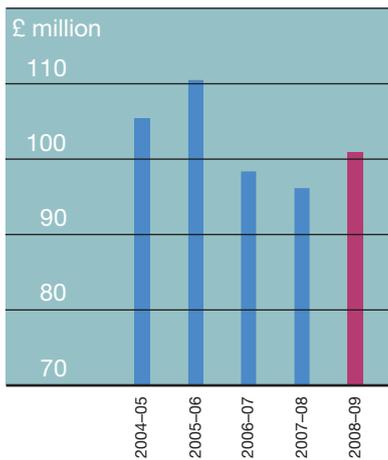
- Private sector – down £0.2 million to £62.8 million (54% of trading activities). This is due to falls in revenue from paper maps and the land and property sector, largely offset by growth in the personal navigation and transport markets.
- Public Sector – down £0.7 million to £53.2 million (46% of trading activities), due to a reduction in services provided to HM Land Registry.

Looking ahead to 2009–10, further growth is anticipated in markets for personal navigation, insurance and transport, offset by ongoing difficult trading conditions in the land and property sector.

Operating costs

Operating costs have increased by £4.7 million (5%) to £100.8 million (2007–08: £96.1 million). This is due to increased staff costs of £4.7 million with additional other operating costs of £1.5 million being offset by reduced depreciation and amortisation of £1.5 million.

Operating costs



Staff costs, which cover both permanent staff, and temporary and agency labour, increased by £4.7 million to £63.0 million (2007–08: £58.3 million). The introduction of a new pay structure during the course of the year has contributed to an increase in permanent staff costs of £2.2 million to £52.9 million (2007–08: £50.7 million). Temporary and agency labour have increased by £2.5 million to £10.1 million (2007–08: £7.6 million), due principally to increased development activity. Average permanent staff numbers were largely unchanged at 1 372 (2007–08: 1 369).

Average staff numbers



Other operating costs have increased by £1.5 million to £34.5 million (2007–08: £33.0 million). This reflects increases in development expenditure partially offset by a reduction in contractor costs.

Development expenditure increased by £4.0 million to £8.6 million (2007–08: £4.6 million) when including staff costs associated with development activity. This reflects increased investment to refresh IT infrastructure and systems to provide new ways for customers to access data, including the ability to receive data directly via the Internet.

Contractor costs relate principally to the revision and update of geospatial data. The expenditure reduced by £1.8 million to £1.9 million (2007–08: £3.7 million), reflecting a reduced aerial photography programme and associated data processing.

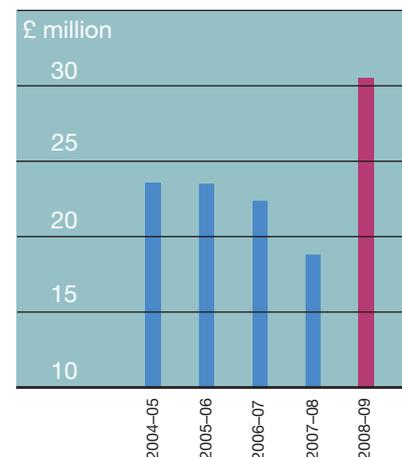
The depreciation and amortisation charge for the year was £3.3 million (2007–08: £4.8 million), down £1.5 million. The majority of capital additions during 2008–09 were assets under construction and land, both of which were not depreciated in the year. The existing database management system has already been fully depreciated, and its replacement is in the process of being completed.

Ordnance Survey has committed to reduce its underlying costs by an average of 5% per annum for the next five years. This forms a key part of its strategy as announced in April 2009 as part of the Treasury's Operational Efficiency Programme report.

Investment programme

Capital investment in the year was £22.4 million (2007–08: £10.3 million). Total investment was £31.0 million (2007–08: £15.3 million) when capital investment is combined with development expenditure.

Investment expenditure



The significant increase in capital investment is associated with the development of a new purpose-built head office at Adanac Park.

During March 2009 an option was exercised to purchase land for the development of the new head office for £6.7 million. Further investment in the new head office of £3.8 million is held within assets under construction.

A development contract was signed with Kier® Property Development Ltd on 9 March 2007. Unconditional planning permission at Adanac Park was obtained on 12 March 2009 and construction of the building commenced. Ordnance Survey expects to occupy the new building by the end of 2010.

A further £8.3 million was invested during 2008–09 in a replacement database management system, all of which was held in assets under construction. The system will transform the way in which data is captured, stored and extracted into products, resulting in higher levels of data integrity, lower business risk and increased flexibility when taking new products to market.

The remainder of the investment programme is weighted towards improving delivery systems and refreshing IT infrastructure.

Future investment will focus on new products and further improvements in IT infrastructure and delivery systems, as well as completion of the new head office and the database management system.

Land and buildings

Ordnance Survey's freehold site at Romsey Road, Southampton has been independently valued by King Sturge® LLP. Occupied land and buildings were valued at £11.6 million (2008: £17.8 million) and investment property at £4.2 million (2008: £8.5 million), reflecting changes in existing use value and market value respectively.

In accordance with UK GAAP, the basis of these valuations takes no account of the contracted disposal of these assets and the expected resulting cash flows.

The development contract with Kier Property Development Limited includes disposal of the freehold site at Romsey Road, Southampton. This legally binding agreement will result in proceeds of £24.3 million net of selling costs based on projected planning permission for redevelopment of the site. By contrast, the accounts show a combined valuation for occupied land and buildings, and investment property of £15.8 million, resulting in a difference of £8.5 million between the current carrying value and the projected sale proceeds.

Other investments

PointX® Ltd, a 50% joint venture investment, achieved turnover of £0.6 million (2007–08: £0.8 million), generating a loss of £250 000 (2007–08: profit of £16 000).

PointX Ltd has established a national Points of Interest database providing essential information for government and businesses delivering location-based services. This is a key part of Ordnance Survey's overall product portfolio and from April 2009 the data has been made available to central government departments as part of the Pan Government Agreement.

Working capital, cashflow and liquidity

The combined balance for cash at bank and in hand, and cash on deposit at 31 March 2009 was £18.3 million (£27.4 million at 31 March 2008). The decrease of £9.1 million reflects cash inflow from operating activities of

£12.6 million (2007–08: £26.3 million) and net interest received of £1.7 million (2007–08: £1.8 million), offset by capital investment of £18.6 million (2007–08: £10.4 million) and dividend paid in respect of the previous financial year of £3.7 million (2007–08: £4.6 million).

Overall liquidity is expected to continue to reduce as a result of increased investment activity, notably in the new head office. Ordnance Survey's medium-term plans indicate there may be a need to exercise borrowing powers over the next few financial years. Under Framework Document 2004, as amended by Statutory Instrument 2006 No. 2835, Ordnance Survey has maximum borrowing powers of £40 million and, within that limit, has an agreed credit facility with the National Loans Fund of £25 million.

Treasury management

The management of liquid assets is governed by the Ordnance Survey Trading Fund Order 1999 as supplemented by the Framework Document 2004 approved by HM Treasury. Cash balances are maintained in an interest bearing account at the Office of the Paymaster. Sums which are surplus to immediate requirements are deposited in a short-term interest bearing account with the National Loans Fund, typically seven days to six months in duration.

To manage the minimal foreign exchange rate variation risk exposure, contracts are negotiated with suppliers in sterling, or exceptionally in major currencies such as the euro or US dollar. Routine transactional conversions between currencies are effected at the relevant spot exchange rate.

Better Payment Practice Code

Ordnance Survey complies with the Better Payment Practice Code; in 2008–09 97.0% (2007–08: 96.3%) of all approved supplier invoices were paid within contractual conditions or within 30 days of receipt of a valid invoice.

Ordnance Survey has recently introduced new government payment guidelines requiring supplier invoices to be settled within 10 days of receipt. Since its inception 85.3% of supplier invoices were paid within 10 days.

Capital and reserves

Capital and reserves have increased by £2.9 million to £78.6 million at 31 March 2009 (£75.7 million at 31 March 2008). The General Reserve has grown to £56.2 million at 31 March 2009 (£43.6 million at 31 March 2008). The increase of £12.6 million reflects operating profit for the year plus net interest receivable less the dividend payable. Asset revaluations have resulted in a net decrease in revaluation reserves of £9.7 million to £8.4 million (2007–08: £18.1 million).

Long-term loans

The balance of Government loans repayable at the end of the year of £6.2 million (2007–08: £6.7 million) is expected to be repaid over the course of the next five years.

Dividends

A dividend of £4.8 million will be paid in respect of 2008–09 (2007–08: £3.7 million). The dividend is calculated on a 6.0% return on average capital employed for the year when combined with interest paid on Government loans. This dividend has been agreed with CLG.

Significant events after the balance sheet date

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

Accounting Policies

The key accounting policies are set out in Note 1 to the Accounts. In particular, note 1.7 describes the accounting treatment of the geographic data. This treatment means the data does not appear on the balance sheet. The reader of the financial statements is encouraged to take the data asset into account when seeking to understand the true value of the business and to recognise that the data is crucial to the successful delivery of the business strategy.

Ordnance Survey's auditor, the Comptroller and Auditor General, has qualified his opinion each year since 1999–2000, and has set out his views in his Certificate and Report on the 2008–09 Accounts and in more detail in a comprehensive report attached to his 2007–08 audit opinion. As part of the conversion to International Financial Reporting Standards (IFRS) in 2009–10, the future treatment of the data, which will be in accordance with those standards, has now been agreed with NAO. The removal of the qualification is therefore expected in 2009–10.

The business is organised into a single business unit to deliver Ordnance Survey's vision and national remit, therefore no segmental reporting is presented.



Mark Alexander
Finance Director

30 June 2009

“
We would encourage all third sector organisations to think about how they could use the data that Ordnance Survey provides to help them to improve their services to users both locally and nationally. **Campbell Robb, Director General of the Office of the Third Sector.**
”

We have seen many success stories across our activities this year that together give us a strong platform to drive Ordnance Survey forward. The following sections describe these in more detail. There are examples showing how we are improving the customer experience and how our data is relied on by business, government and individuals. We also give details about developments in our product portfolio, data collection, stakeholder engagement and corporate responsibility.

Customer focused

Improving the customer experience

Our commitment to customer satisfaction is dependent on providing a service to match the quality of our products and services. We aim to provide a consistently good experience for our customers.

This year ongoing improvements to our website have enabled customers to find answers to queries themselves, leading to an overall reduction of customer interactions by the Customer Service Centre of 6%. Initial problems, however, with the online map shop contributed to an increase in complaints, and we have since made a number of improvements to resolve these issues.

Customer service headlines

	Year to March 2009	Year to March 2008	% Variance
Complaints	921	806	+14
Telephone calls received	73 954	86 930	-15
Correspondence enquiries	69 766	65 522	+6
Total customer interactions	144 641	153 258	-6
Average wait time for calls	6.0 secs	6.3 secs	-5
Lost calls %	0.06%	0.2%	-70

Promoting third sector use of geographic information

September 2008 saw the launch of a new direct mail and web campaign to raise awareness of the third sector's ability to gain access to a wide portfolio of mapping data as a contractor to government.

Its message was that voluntary and community groups, charities and cooperatives can also use our data when they are undertaking work for an existing public-sector licensee to deliver government policy on issues such as social cohesion and sustainable communities.

The third sector has an increasing responsibility in helping to implement and add value to public sector policy and our information can play a key role in supporting activities and work packages delivered under contract to government.

Campbell Robb, Director General of the Office of the Third Sector, welcomed the move saying: *'We would encourage all third sector organisations to think about how they could use the data that Ordnance Survey provides to help them to improve their services to users both locally and nationally.'*

Support for our partners

Our Partner programme allows over 300 commercial organisations to license our information to create a wide range of value-added products.

Our account managers work closely with partners to build a detailed understanding of their business and ensure that our licences are developed to meet market needs. For example, when one of our Licensed Partners, Garmin®, identified an opportunity for using raster mapping on their GPS hand-held devices for recreational use, we developed a new licence that enabled the company to launch the new Garmin GB Discoverer™ topographic cards. Working together in this way has not only helped to meet a new demand in the outdoor leisure market but is also proving to be a new revenue source for both organisations.

To promote the many solutions underpinned by our information, we encourage partners to use the *enabled by Ordnance Survey* logo. Our Licensed Partner AA Publishing has recently added this to its online route planner, exposing our brand to over 200 million website hits per year.

In April 2008 we launched a new tiered Accreditation Scheme as part of our wider Partner Alliance programme. This offers varying levels of pre- and post-sales support, account management and marketing support – including financial support for joint initiatives.

Events such as our annual partner conference, attended in 2008 by more than 150 delegates, provide opportunities for networking and fostering innovation and alliances. The conference also recognises many different companies with a series of awards for innovative



products and services. Those honoured were Landmark Information Group®, SIA Limited, eMapSite, GroundSure®, ESRI® (UK) and Augmentra Limited.

Supporting government

Providing government with affordable access to core geographic information

The new Pan Government Agreement, signed in February 2009, provides a strong platform to increase government's use of geographic information for the benefit of the public. Managed by the Department for Communities and Local Government, it provides almost 100 national bodies with access to core geographic information at an affordable price and under consistent licensing terms designed to facilitate effective service delivery and data sharing.

Under the four-year contract awarded following a competitive-tendering process, Ordnance Survey and its business partner Landmark in conjunction with Dotted Eyes, will supply a wide range of mapping products to support a diverse range of applications, including monitoring agricultural payments, planning the digital television switch over, estate management and habitat mapping. They will also provide a range of support, including dedicated helpdesks, account management, newsletters and training.

A new era for geographic information provision in Scotland

Public-sector organisations in Scotland now have access to our information under a single agreement for the first time. The new agreement, known as One Scotland, includes 72 organisations with provision for over 100 more, and will result in significant cost savings and greater data sharing.

The new four-year deal for Scotland replaces the local government Mapping Services Agreement, the Pan Government Agreement for central government and the pilot NHS® agreement, and gives access to a wide range of geographic data. Member organisations also benefit from being under the same licensing conditions, meaning Ordnance Survey data can be easily shared.

The agreement includes a broad range of products, including OS MasterMap Topography and Integrated Transport Network Layers as well as almost all the supporting scales of mapping. This data will support a diverse range of services including environmental planning and community development initiatives.

Fostering innovation

Encouraging innovation in location information

As a Platinum sponsor of the Association for Geographic Information's (AGI®) 2008 Geocommunity Conference, we were pleased to help highlight how location data is being harnessed across different sectors.

Over 600 delegates, including GI practitioners, academics and policymakers, attended the flagship industry event, which had the theme 'Shaping a Changing World' and covered topics as diverse as the use of geographic information in gaming and virtual environments to the value of mapping underground assets and infrastructure.

Ordnance Survey Director of Sales and Market Development James Brayshaw, who is also Chair of the Atlantis Initiative, was honoured for the best overall paper for his discussion of how the public-sector

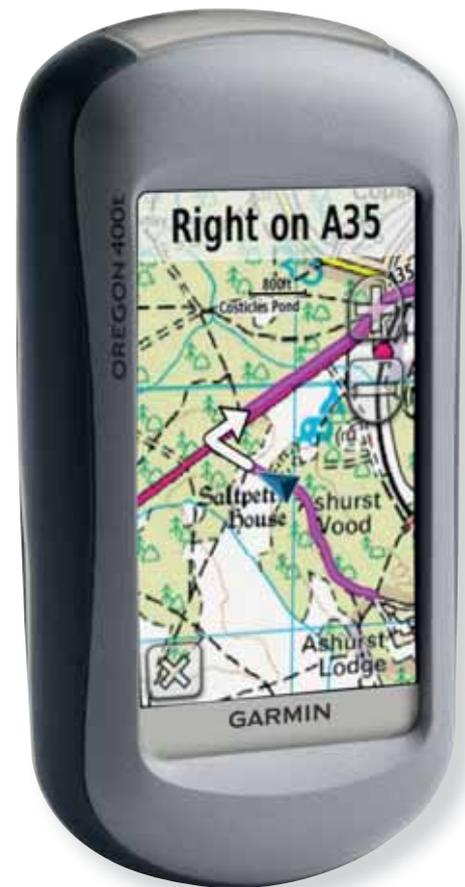


Image: Courtesy of Garmin



collaboration, which aims to support a more joined-up approach to flood prevention and planning, is reacting to the findings of Sir Michael Pitt's review into the floods of 2007. The strategic paper, entitled *The Atlantis Initiative: Priorities following the Sir Michael Pitt review*, was prepared by James, Keith Murray and Alex Coley of the Environment Agency® – with input from Pre & Post-Sales Support.

Investing in the future

We conduct research that extends beyond the capture, management, trade and use of geographic information to reflect ever-changing market developments and demands. This aims to address mid-term needs and long-term trends. Our Research department comprises of geographers, computer scientists and psychologists and its activities are overseen by the Research Advisory Panel, with members drawn from across the organisation.

Research focuses on understanding and addressing user needs, driving down production costs and creating new opportunities to develop new products. Topics include geospatial data modelling, remote sensing, field surveying, map generalisation, web science and the semantic web, new and emergent technologies and vernacular geography – people's sense of space.

We also work with and support universities through initiatives, including our MSc and PhD research programmes and sponsorship for research conferences, such as GISRUK, COSIT and RSPSoc.

Our research department also organised the Terra future™ 2009 conference, which focused on the use of geographic information and mass collaboration as

tools for tackling climate change and sustainability. Speakers included world-renowned innovation expert Charles Leadbeater; Ian Pearson, a futurologist at Futurizon, a start-up futures institute; Lord Puttnam of Queensgate, founding Chair of the National Endowment for Science Technology and the Arts (NESTA®); and Robin Mannings, a BT® expert on disruptive technologies and author of the book *Ubiquitous Positioning*.

Product development

explore

The *explore* portal, launched in 2008, has seen registered users increase from 5 050 in April 2008 to 11 660 in March 2009, with the number of routes added rising from 3 420 to 8 200.

Between 10 and 20 routes are being submitted every day and many users are recording every route they complete, adding points of interest and photographs. The top five routes of the month is one of the most popular sections of our consumer newsletter.

The portal is increasingly being used by people training for charity fund-raising initiatives, walking groups who record their events, and participants in the Duke of Edinburgh Scheme as well as in teaching.

Site-centred mapping

We have used a new production process to give our site-centred mapping OS Select™ an improved finish, using the same paper as our standard off-the-shelf maps. The new look maps are thinner, tougher and easier to fold, with enhanced print and paper quality.

OS Select maps are specially printed to order with the customers' own personal

title and a choice of selected cover photographs. They are available in two scales of detail – 1:25 000 and 1:50 000 – and can have the map legend printed in English or Welsh.

Linking location and address

April 2008 saw the second anniversary of OS MasterMap Address Layer 2, which provides a nationally consistent, highly accurate and up-to-date link between every property address and its location on the map. It includes geographic references and classifications of more than 27 million postal addresses and 1.4 million non-addressable properties. Address Layer 2 is underpinning a variety of applications within utilities, commerce, government and direct use sectors.

Pete Brown, IT Business Programme Manager at Southern Water, says: *'The additional data in Address Layer 2, particularly the details of multiple residences and properties without postal addresses, are of real benefit to us and are allowing us to identify more accurately all of the buildings receiving our services.'*

National Grid used Address Layer 2 to help match the spatial coordinates of meter point addresses in the West Midlands with data from its own demand system, including the locations of network pipes and node numbers. *'Using the Ordnance Survey Address Layer 2 data resulted in a cost of less than 5% of what this would have cost as a manual man-hours process,'* says Dave Goldsmith, Distribution Customer Support Specialist.

OS OpenSpace

During 2008–09 we introduced revised terms and conditions for OS OpenSpace, our web-mapping service. The



By taking navigation services out of the car and onto the pavement, Nokia is enabling people to explore and discover what's around them with the confidence of a local. Ordnance Survey is helping us to ensure that users in the UK have access to the best available service. Michael Halbherr, Vice-President, Nokia location-based services, an Ordnance Survey partner.



OS OpenSpace API (application programming interface) is a free service that allows users to build mash-ups of our mapping. It was launched to the public in January 2008 and has over 1 300 registered developers.

OS OpenSpace is available to anyone wanting to develop experimental applications on the web using Ordnance Survey mapping. It benefits individual developers and organisations such as commercial companies, local community groups, national special interest groups and smaller charities.

Following the launch of the new business strategy, the API has been enhanced to provide greater free access to a range of Ordnance Survey mapping, which includes official boundary information and the option for developers to run advertising and sponsorship alongside their applications.

OS OpenSpace uses 'slippy map' technology, so users can grab and move images in different directions. Users can also add markers, lines and polygons on top of Ordnance Survey mapping, search for place names with a gazetteer and display other location data from elsewhere on the Web.

Location data for UK postcodes

Code-Point® provides the exact location for the 1.7 million postcodes in the UK, allowing users to get direction information that is both highly accurate and linked to an actual place 'on the map'.

It is underpinning Nokia Maps 2.0 navigation system for both motorists and pedestrians. The pedestrian-focused navigation component, Walk takes users from A to B with visual turn-by-turn guidance and, because Code-Point data

provides each postcode with a specific location, they can be confident that the service is accurate and reliable.

'By taking navigation services out of the car and onto the pavement, Nokia is enabling people to explore and discover what's around them with the confidence of a local,' said Michael Halbherr, Vice-President, Nokia location-based services, an Ordnance Survey partner. 'Ordnance Survey is helping us to ensure that users in the UK have access to the best available service.'

Aerial imagery

The OS MasterMap Imagery Layer is a maintained dataset of high-quality imagery of Great Britain that cannot be gained from mapping alone. It is orthorectified, quality assured and colour balanced to ensure consistent and accurate alignment with all the other layers in the OS MasterMap family.

It is used by the UK's second largest energy company, Scottish and Southern Energy® (SSE) to maintain 485 000 kilometres of high-voltage power lines – including keeping them safe from overgrown trees and vegetation. In the past SSE was reliant on teams visually inspecting every metre of its network every four years. Overlaying the location of overhead cables on the OS MasterMap Imagery Layer highlights where there is a risk of vegetation causing damage, enabling SSE to focus its activities proactively and efficiently to ensure a reliable supply of electricity.

Roger Deacon, Geographic Records Manager at SSE, explains, *'We want to ensure that none of our customers experience an interruption in their service because of trees or vegetation damaging overhead lines. Our yearly target is to*

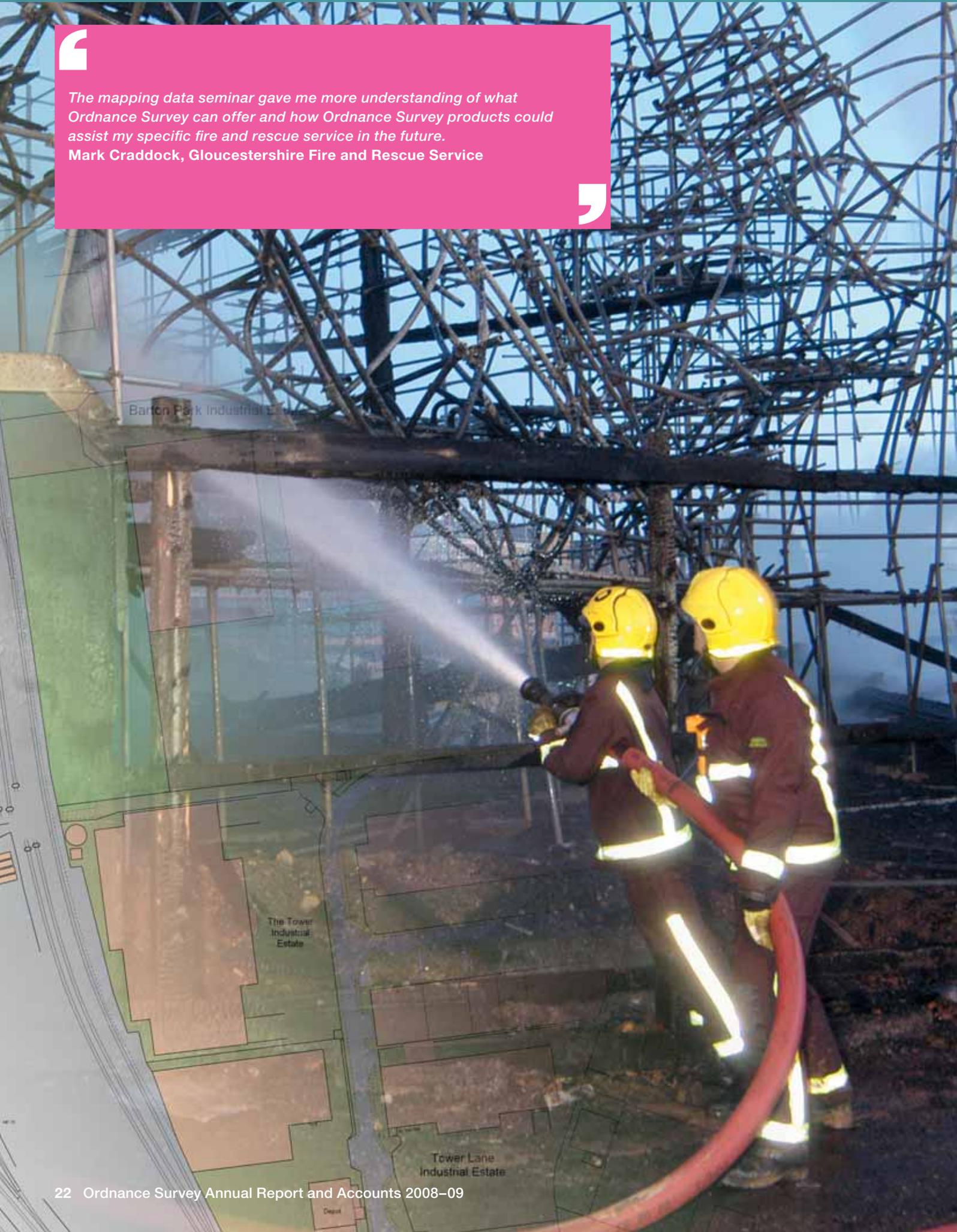


Image: Courtesy of Nokia



The mapping data seminar gave me more understanding of what Ordnance Survey can offer and how Ordnance Survey products could assist my specific fire and rescue service in the future.

Mark Craddock, Gloucestershire Fire and Rescue Service





Ordnance Survey mapping data can help the emergency services face the challenges of modern emergency planning and response

make 0.8% of our power lines resilient, which doesn't sound a great deal but it actually equates to almost 4 000 kilometres every 12 months. It really is a huge task.'

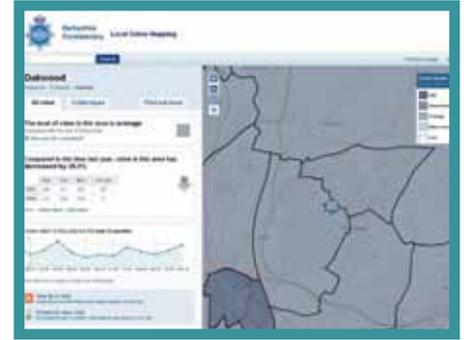
'We use Ordnance Survey imagery along with our own information on our customers and the location of power lines to decide where to send our engineers. We want to concentrate our efforts on the places that are most at risk and would affect the most people should a failure occur. Once we identify these places, our engineers carry out a survey on the ground and decide which trees need to be cut back. By using data from Ordnance Survey we know we can rely on it for its accuracy.'

Points of Interest

Points of Interest (POI) is a dataset of around four million geographic and commercial features across Great Britain. These are classified into nine broad groups, 49 subject categories and then around 620 highly specific classes. Each POI feature is provided with a National Grid coordinate so it can be visualised as a point on a digital mapping system.

POI with OS MasterMap is being used by our Premier Partner GroundSure, a private limited company that provides environmental intelligence and due diligence solutions to the ever-changing UK property, conveyancing and financial markets.

'The people who use our reports – solicitors, consultants, surveyors and such – care passionately about quality, accuracy and timeliness, and Ordnance Survey delivers this. There are other sources of mapping we could use but they are not as detailed and not as regularly surveyed and updated,' says Rachel Hogate, GroundSure Marketing Manager.



Derbyshire Constabulary launched an interactive crime mapping website

Rely on us

Helping combat flood risk

The Atlantis Initiative is run jointly by Ordnance Survey, British Geological Survey, Centre for Ecology and Hydrology, Environment Agency, Met Office and UK Hydrographic Office (UKHO). Each of these organisations maintains a number of definitive datasets that are fundamental to understanding the problem of flooding.

The aim of the project is to provide a consistent and joined-up approach to tackling flooding by agreeing standards for the more effective use and integration of the existing geographic and environmental data. This will be a huge benefit to many organisations that can spend some 25%–50% of their time sourcing relevant information and getting different datasets to work together. The collaboration will improve flood modelling and how the UK understands and manages flood risk.

We have provided OS MasterMap topographic data for the creation of high-precision terrain models and structured digital river networks.

Sir Michael Pitt, author of the report on the summer 2007 floods, says: *'The floods of June and July 2007 were a wake-up call to us all. Atlantis is an excellent example of public-sector organisations joining forces to share geographic and related information. This outstanding level of cooperation will help ensure that all stakeholders have access to the geographic information they need to plan for and respond to these types of emergencies.'*

Mapping for Emergencies

Under our 24-hour Mapping for Emergencies scheme, we aim to provide

an immediate combination of mapping and expertise in response to major civil emergencies such as floods, fires, contamination leaks, disease outbreaks and in searches for missing people.

Coordinators and volunteers work closely with emergency services and other agencies to ensure the most appropriate data is supplied as quickly as possible. We bear the cost of the service, which we provide in the national interest.

Crime mapping

Derbyshire Constabulary is one of many police forces across the country that has launched an interactive crime-mapping website. Using a simple, user-friendly interface and highly detailed Ordnance Survey mapping, the site allows people to enter a postcode or area name to find out the latest crime statistics for that Safer Neighbourhood area. The aim of the initiative, spearheaded by the Home Office, is to highlight crime at a local level so that police forces can better engage with the communities they serve.

The roll-out of the site is a part of the Policing Green Paper, which requires all forces in England and Wales to publish online crime information geocoded to locally recognised areas.

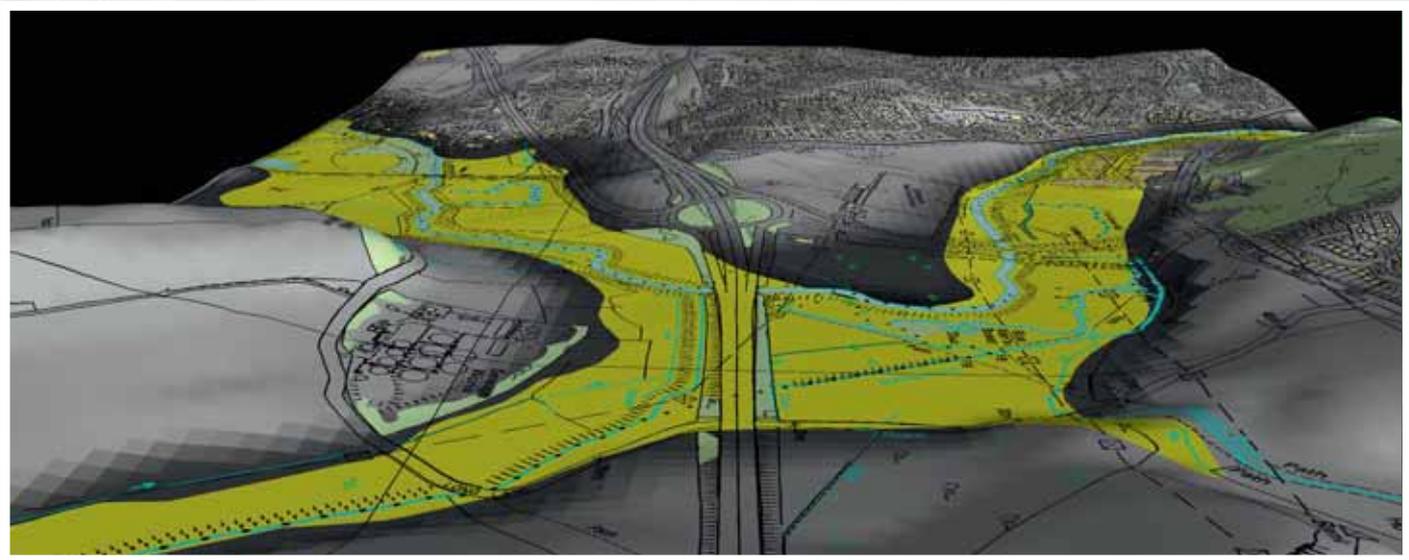
Ben Sherwin, Webmaster, Derbyshire Police comments: *'We believe it is important to give the public as much information as possible about the work we do in local communities. By illustrating our crime statistics in a map-based format we are giving people the opportunity to find out about policing issues in their area in a way we hope is accessible and useful. Our website offers lots of ways for the public to interact with the force, and we are developing new services all the time.'*



The floods of June and July 2007 were a wake-up call to us all. Atlantis is an excellent example of public-sector organisations joining forces to share geographic and related information. This outstanding level of cooperation will help ensure that all stakeholders have access to the geographic information they need to plan for and respond to these types of emergencies.

Sir Michael Pitt, author of the report on the summer 2007 floods.







Reducing exhaust emissions and CO² – the road towards a driverless car

OS MasterMap ITN Layer is being used in a state-of-the-art car cruise control system designed to cut exhaust emissions and CO².

The Sentience car control system, unveiled at the Transport Research Laboratory (TRL) test track in March 2008, is the result of a 15-month collaboration between Ordnance Survey, Ricardo®, Jaguar®-Land Rover®, TRL® and Orange® Business Services, with part funding provided by innovITS, the UK centre of excellence for intelligent transport systems and sustainable mobility. It runs from a mobile phone connected to the car's onboard electronic control unit and uses Internet-enabled mobile communications, GPS and an optimised version of our detailed road network data, which includes the road layout, speed limits and road features, such as traffic lights and speed bumps, to automatically optimise a car's speed and its rate of acceleration and deceleration.

The project has successfully demonstrated that fuel savings of between 5 and 24% are possible at very modest cost and has obvious practical applications for vehicle fleet management. 'Sentience has been a unique collaboration between three industries who would not normally work together,' explains Sentience Project Director Tom Robinson of Ricardo. 'The results speak for themselves in demonstrating the potential synergy to be realised by connecting the existing on-board systems of vehicles with mobile communications and geographic information.'

Underpinning utilities

Utility companies of all sizes are using geographic information for works

Noise is often referred to as the forgotten pollutant, but the Scottish Government is determined to do more to highlight, and therefore deal with, the problem of excessive noise. Improving our environment is a key part of our plans for a greener Scotland. I want to look at what is feasible to reduce excessive noise and make Scotland a quieter place.
Former Minister for the Environment, Michael Russell.

management, scheduling and mobile field operations, customer contact and billing, risk management and regulatory compliance.

Hartlepool Water, part of Anglian Water®, covers a relatively small area of 90 km² and has just 42 employees. The company adopted OS MasterMap as the foundation of its GIS. None of its users are GIS specialists, so the system's customised simplified interface is designed to be used by everybody in the business.

'The benefits are considerable: OS MasterMap has improved accuracy and saved time. We are certain of what we are looking at, we've reduced the risk and cost of errors and it has been helpful with water searches and drawings that we are providing and charging for,' says Tom Norman, Operations Support Manager.

Over 500 scientists, engineers and technicians at United Utilities® plc, one of the UK's largest multi-utilities, use OS MasterMap as part of their daily work, with many more people throughout the organisation using it to help improve service levels, water quality and business performance.

'We get our return on investment by having lots of people using the data intelligently,' says Peter Mahon, Asset Information Services Manager. *'For example, our modelling engineers build 300 to 400 models a year. By using OS MasterMap, they produce models faster, more accurately and at less cost.'*

Investment in GIS has also helped the organisation to achieve major savings in recording its assets and making the data available to third parties such as local councils, other utilities and

contractors that need to dig up the highway. Previously, records were kept in over 700 plan chests in 65 locations, and the data distributed as paper plots, microfilm or by CD-ROM.

Peter Mahon explains: *'The system now provides around 50 000 plots per month to 1 700 users in 245 different organisations at an estimated saving of at least £1 000 000 per year to United Utilities and its highway excavation contractors over traditional methods of delivering safe-dig plans.'*

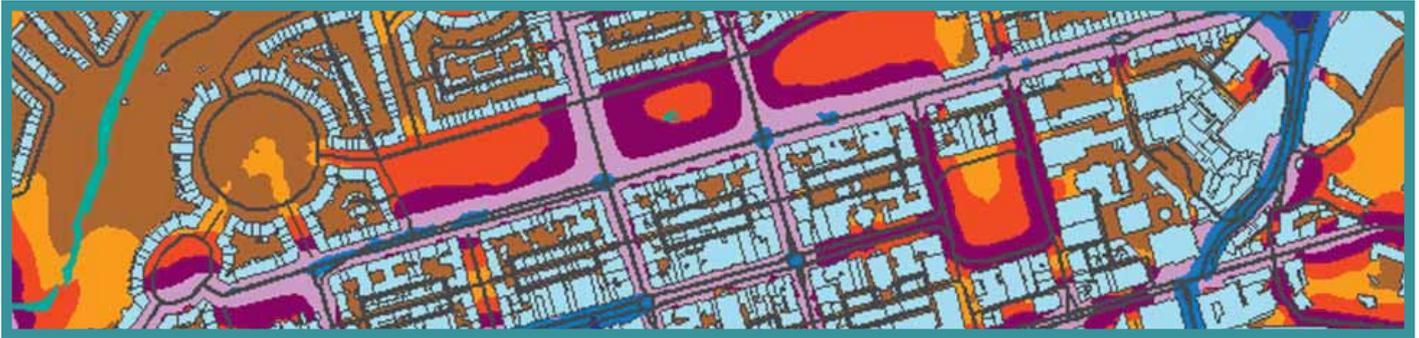
A cornerstone for housing associations

Award-winning Dane Housing, a registered social landlord that provides affordable housing in Cheshire and north-west England, uses OS MasterMap as an integral part of providing efficient and excellent customer service.

The organisation has obtained a real return on investment at both the financial and performance levels through its use of GIS. Mark Felton, Contracts Manager, says that the cost of the solution, including the Ordnance Survey mapping and licence fees, has been more than covered by the efficiencies generated.

'We will have saved £100 000 over three years on the grounds maintenance contract and will have saved many thousands of pounds through a reduction of ground maintenance calls from residents, faster resolution of disputes and identification of chargeable work.'

OS MasterMap is also used by Grand Union Housing Group, which includes Aragon Housing Association, Macintyre Housing Association and



South Northants Homes to manage its assets of 10 000 dwellings and 2 700 garages. It helps to save time, money and effort, provides clear boundaries of responsibility and plays a major role in refurbishment and development. GIS also supports a council project to manage antisocial behaviour and gives budget holders better information on which to make decisions.

'GIS use is growing within the Group,' says Graham Lennox, Aragon's Director of Finance. 'It offers the ability to increase savings through better management and allows us to provide an ever-improving service to our tenants. The future is exciting, with plans to use GIS on our Intranet and eventually make it available to our tenants via the Internet.'

Tackling noise pollution

The Scottish Government is using our information in its action plans to tackle unwanted noise. The plans are based on innovative noise maps underpinned by our data and created by acoustic experts Hamilton & McGregor. The maps cover all major roads, airports and rail lines – and will even take into account how landscape features affect sound – to give a graphic representation of noise levels in different parts of the country.

The former Minister for the Environment Michael Russell says: *'Noise is often referred to as the forgotten pollutant, but the Scottish Government is determined to do more to highlight, and therefore deal with, the problem of excessive noise. Improving our environment is a key part of our plans for a greener Scotland. I want to look at what is feasible to reduce excessive noise and make Scotland a quieter place.'*

Improving recycling for a greener future

Ordnance Survey information was used to identify and target residents with gardens for a green waste research project in three London Boroughs. The Recycle Western Riverside campaign – which significantly improved the delivery and efficiency of green waste schemes – took in the Royal London Borough of Kensington and Chelsea, the London Borough of Lambeth and the London Borough of Hammersmith and Fulham.

'We used the green waste data and maps resulting from the project to target new customers for our garden waste collection service,' says Jay Amies, Waste Reduction and Recycling Manager, Royal Borough of Kensington and Chelsea.

'From the resulting green waste promotional exercise in the areas concerned we generated in excess of 600 additional service participants and increased garden waste tonnage collected by 20% compared with 2004–05.'

Keeping Hampshire safe

Hampshire Fire and Rescue Service is among many fire services across the country taking advantage of our information. It is using OS MasterMap Address Layer 2 to underpin safety, invest for the future and make life safer in Hampshire.

John Hinton, Fire Safety Database Development Officer, explains: *'We are dealing with a rapidly changing fire-risk environment with lots of high-density brownfield residential developments. It is vital that we know about all types of buildings and have the right resources*

in the right places to provide our community safety activities.'

'We are improving performance at a time when budgets, which are paid for out of council tax, are under pressure, and there was a massively strong case for this investment. It was principally driven by our Deputy Chief Officer, who recognises that future fire and rescue activities must be based on good risk intelligence and the ability to share data between different functional areas, and with partners such as the police.'

Helping to realise efficiency gains in local government

Cardiff Council is using OS MasterMap in a GIS to help improve the management of education services and school transport for all of the city's children.

The detailed, intelligent mapping is used to determine eligibility for free transport entitlements, support school admissions policy and deliver internal mail from the Council offices in central Cardiff to each of the 140 schools in the area.

Phil Puddle of the Research and Information Team, Schools and Lifelong Learning Services explains: *'We were able to fund the increase in contract prices for using high-capacity coaches fitted with seat belts, high-backed seats and CCTV, which replaced the old double-deck buses on the school transport contracts, and we were able to absorb those costs from the savings and efficiencies we had generated.'*

'Taken with the potential savings in the courier service of around £10 000 per year, we are seeing efficiency gains in the region of £200 000, far in excess of the costs of the solution.'



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Phil Peddle, Research and Information Team, Schools and Lifelong Learning Services.





Ordnance Survey on the road

The Ordnance Survey Outdoors Show

We again sponsored The Ordnance Survey Outdoors Show at the Birmingham NEC, showcasing outdoor leisure innovations from us and our partners. The show, attended by around 30 000 visitors and opened by Sir Ranulph Fiennes OBE, offered the chance to learn to dive, scale a wall of ice, learn survival and navigation skills and meet celebrity guests Bear Grylls and Alan Hinkes OBE. Its aim is to inspire people to try new activities and enjoy new leisure pursuits, both inside and outside.

Keeping the Tour of Britain® on the right track

We have signed a three-year sponsorship of Britain's premiere cycle road race – The Tour of Britain. Under the contra deal we provide bespoke mapping and print services in return for branding across the event. This sponsorship helped raise awareness of our products and services to a key audience in the outdoor leisure sector.



Putting our best foot forward for the British Heart Foundation®

Our sponsorship of the British Heart Foundation's (BHF®) walks and hikes series from September 2008 until December 2009 will help participants brush up on their navigational skills to enable them to make the most of the great outdoors.

Our staff are also supporting the BHF via a range of fund-raising activities, including cycling in the BHF's London to Brighton Bike Ride and taking part in a selection of the charity's walks all over the country.

Douglas Rouse, Head of Corporate Partnerships at the BHF, says: *'The BHF is absolutely delighted that Ordnance Survey has chosen to sponsor our well-established series of walks and hikes. We are looking forward to working together to encourage more people to enjoy the great outdoors – while raising money to beat heart disease, which remains the UK's biggest killer.'*

Collecting, maintaining and providing information

The collection, collation and quality of the data that is used to create the definitive map of Great Britain is the responsibility of our Data Collection and Management Group.

They collect data for all 243 241 square kilometres of Great Britain and in any year this typically involves surveying activities anywhere between the Shetland Isles and the Scilly Isles. The database contains more than 440 million different topographic features mapped in detail as well as different types of data, including addresses, transport networks and imagery. It is used to provide complete national large-scale digital data right down to building level detail. Approximately 5 000 changes are made every day and are available to our customers through regular updated releases of OS MasterMap and other derived products.

Our production resource includes a 300-strong field surveyor workforce, which is spread across the whole country. We also have a photogrammetric surveying and data enhancement operation based at our Southampton head office. These field and head office operations focus on our high-value and complex datasets. Our operational capability is completed by the addition of a significant private-sector contractor capacity that delivers value by undertaking large volumes of photogrammetric sweep updates in rural and mountainous areas.

Our integrated data capture programme for rural areas was affected by the poor weather experienced across the whole country last year. This reduced the volumes of aerial imagery we were able to capture during 2008–09. We remain confident, however, that over the full 10-year cycle we will be able to provide a service which meets customer needs.

As a result of this continuous attention to detail, our database contains:

- 99.9% of significant real-world features that are greater than six months old. Our Ministerial target for the year was 99.6%.
- 544 713 km of motorable road and over 900 000 route instructions that are updated with some 20 000 changes each month.
- Over 750 000 road names – the three most frequent being High Street, Station Road and Church Lane.
- 27.5 million addresses, which are listed and geographically pinpointed. Around 42 000 changes to this dataset are made every month.

Looking to the future

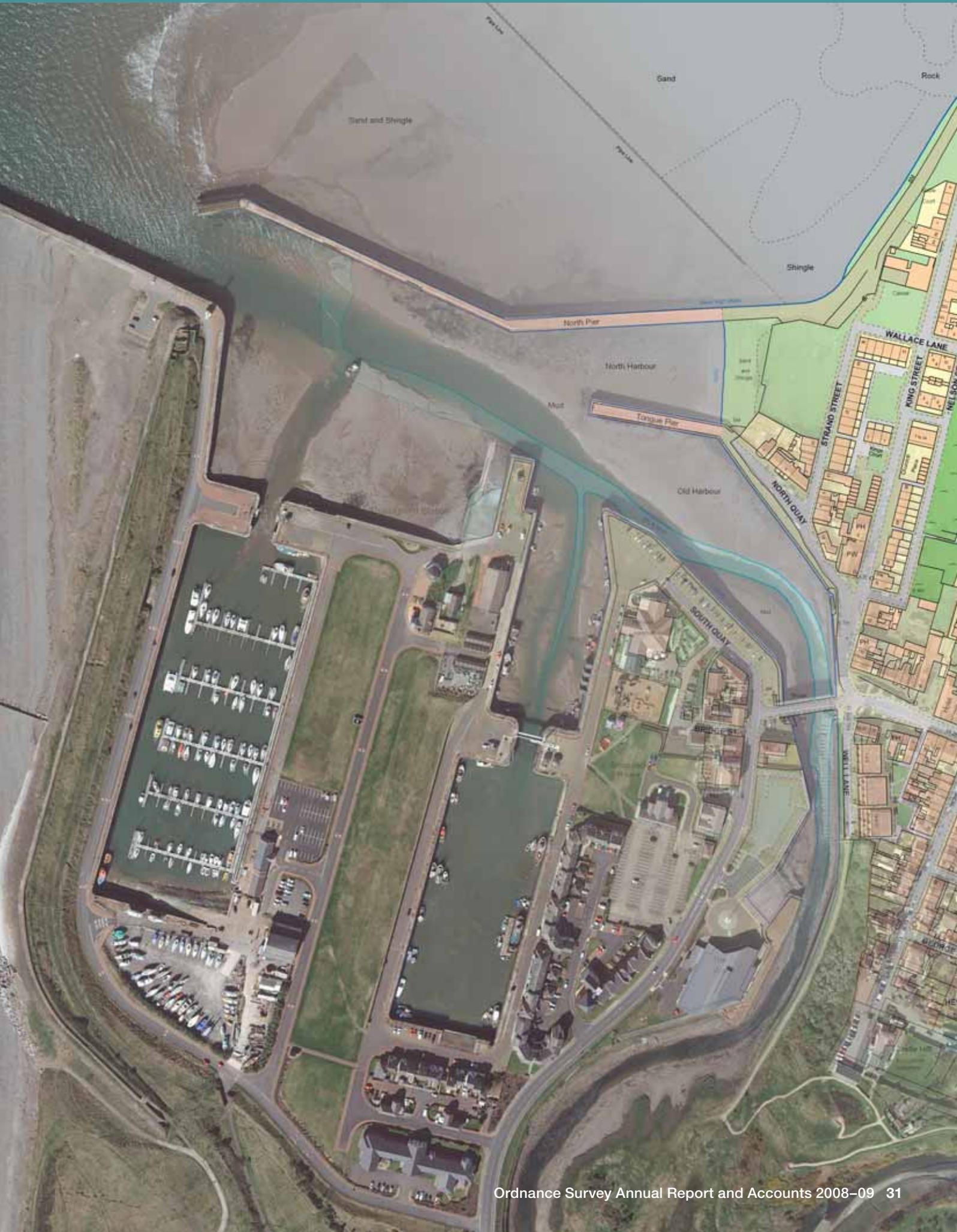
In 2009 we upgraded the technology that delivers the OS Net® GPS real-time correction service. New base station receivers now enable this service to broadcast additional corrections for the Russian GLONASS satellites and will also support the future European Galileo constellation. OS Net has become the authoritative high-accuracy positioning service for Great Britain and, in addition to Ordnance Survey's own surveying operations, is widely used by both the private surveying industry and research communities.

The currency of our data is the single most important attribute for our customers. The challenge we have is to maintain this as the whole organisation goes through a period of significant technical change over the next two years. The introduction of our new geo-database technology and the move to a new head office will inevitably impact on our production outputs. To mitigate this, we have brought the currency of the database to a level where it is the best that it has ever been in the 218-year

history of Ordnance Survey. We anticipate that this will reduce the effects of any disruption that may occur during 2010, as we retrain our workforce and move our data to new management systems.

Neil Ackroyd, Director of Data Collection and Management, says: *'Our world-class national mapping is down to the expertise, knowledge, commitment and experience of our workforce. Their detailed local knowledge of the state of development across the whole of Great Britain ensures that we deploy our efficient processes and modern data collection technology to maximum benefit.'*





Stakeholder engagement



I find reading maps very interesting, all of the symbols, the grid references. I have also been on your website. I was on it for ages, the games were really fun and, much as it pains me to say, actually very educational. Thank you for the map. It should be very helpful for when my family and I go walking in the forest and on hills.

Year 7 pupil.



Free maps for 11-year-olds

Last year saw the 5 millionth map given away in our initiative offering every Year 7 pupil in England and Wales and Primary 7 pupil in Scotland a free 1: 25 000 scale OS Explorer Map of their local area. Ordnance Survey Minister Iain Wright MP joined our Director General, Vanessa Lawrence, to mark the milestone by presenting free maps to pupils at Dyke House Comprehensive School in Hartlepool. Head Teacher Bill Jordan was also presented with a special gold-covered Ordnance Survey map. Year 7 pupils then took part in a treasure hunt at the school using a special map to help them find 11 clues that spelt out the location of a grand prize.

Iain Wright MP said: *'It's fantastic that this year the five millionth 11-year-old will receive a free map of where they live and where their school is thanks to Ordnance Survey. With satnav becoming increasingly common, this scheme encourages children to learn geography in their own backyard and develop that all-important sense of direction.'*

John Cabot Academy in Bristol ordered the 5 millionth map and received a commemorative site-centred 1: 25 000 scale OS Explorer Map.

In 2008 nine out of 10 local-authority schools received free maps with just over 680 000 children benefiting. Children taking part in the initiative could also enter a competition by answering five map-reading and nature questions and designing a new map symbol. The best 12 were chosen to spend the day with bushcraft and survival expert Ray Mears, to put their map-reading skills into practice.

The scheme, which has distributed over 5.1 million maps since its launch in

2002, supports the national curriculum for England and Wales, and the national guidelines for education in Scotland. Feedback from teachers, pupils and parents shows that the maps are an invaluable extra resource for classroom exercises, homework, projects and fieldwork.

Local government

As part of strengthening our relationship with local government, we hosted the Local Government and Emergency Services conference, which included awards for the best and most innovative uses of our data. Winners included Sandwell Borough Council's 'Gaming the Tibby' project, an interactive game designed to engage the young people of the Tibbington estate by inviting them to enter a 'virtual environment' where they could comment on the area's regeneration.

Our involvement with SOLACE, the Society of Local Authority Chief Executives and Senior Managers enables us to continue to raise awareness of the benefits that GI can bring to this sector.

Our relationship includes regular input to conferences and marketing initiatives – but the benefits are very much two-way. The more we can listen to and understand the needs of local government, the better able we are to meet them.

Advice to government

Vanessa Lawrence, our Director General, is the official adviser to the UK Government on all aspects of survey, mapping and geographic information. During the year we responded to a number of government consultations,









including the Department for Communities and Local Government's consultation on digital inclusion and the Department for Transport consultation on sustainable transport. In addition, we have continued our engagement with government on the issue of flood-risk management.

Through the leadership of our Director General, the Government's Geographic Information Panel has now published the UK Location Strategy. Vanessa continues to represent Ordnance Survey on the newly formed Location Council, which is responsible for taking this strategy forward.

We continue our engagement activity to respond to questions and ensure that parliamentarians at all levels are provided with up-to-date briefing on our activities and the use of geographic information in effective policymaking and delivery.

Parliamentary ramble

We held our first parliamentary ramble – sponsored by Paddy Tipping MP – for MPs, Peers and Chief Executives in November 2008. Instead of using traditional paper maps, personal navigation experts SatMap gave each walker an Active 10 hand-held navigation device, which seamlessly combines our maps with modern satellite tracking technology.

The event, around St James' Park, highlighted the health benefits of walking and getting out and about. The Chief Executive of the Royal Parks, the British Heart Foundation and the Ramblers' Association were on hand to emphasise how walking for just 30-minutes a day can dramatically reduce the risk of heart disease, strokes and obesity.

European Union

Location-based information plays an increasingly important role in European Union policymaking, and we work with Commission officials and others to ensure that our business remains aligned with developments at European level. Our current focus concerns the implementation of the INSPIRE Directive, which sets out the framework for a European Spatial Data Infrastructure. The Directive requires a range of technical implementing rules to be devised, and Ordnance Survey experts have been active members of the teams drafting those rules on behalf of the Commission. Within the UK we have continued to work with Defra, which has responsibility for transposing INSPIRE into UK law during 2009.

International engagement

Ordnance Survey maintains good working relationships with other national mapping agencies around the world. This encourages the sharing of information and also supports developing economies and government policy on international relations.

We receive visitors from around the world, advising them on survey techniques, data storage and management and, increasingly, the management of national remapping programmes where countries are converting from paper to digital mapping. We have considerable experience in project managing major conversion programmes and, through our international engagement activities, are able to share these for the advancement of mapping around the world. Visits to our head office during the year included representatives from Japan, Saudi Arabia, Ghana and South Africa.

Corporate responsibility



A dozen lucky schoolchildren from across the country have spent the day learning bushcraft skills with Ray Mears

We wish to have a positive impact on our local communities and the wider environment. We aim to operate ethically and honestly and we expect our business partners, contractors and suppliers to do the same.

Staff participate in our Corporate Responsibility programme in different ways, including fund-raising activities and voluntary work.

Corporate charity

Our staff voted Hampshire and Isle of Wight Air Ambulance as the official corporate charity for the year, raising a total of £13 584. This provides a vital service yet relies entirely on voluntary donations and, with increasing fuel and administration costs, needs to raise more than £85 000 every month.

In addition to individual and corporate donations, staff held cake sales, raffles and sports events – and even voted to forgo their traditional Christmas chocolates to give our corporate charity a cash equivalent. We also provided support in kind by producing two large wall maps to enable the Air Ambulance to plot the area it covers and presented the pilots with bespoke mapping to assist them on call-outs.

As from 2009, our new corporate charity is the Alzheimer's Society.

Local community

We have built strong links with several local schools as part of initiatives to develop good relationships with the local community.

Through our relationship with local schools and Solent SkillQuest, we have developed a work experience policy which

enables us to offer students a taste of employment.

During the past year, over 70 members of staff used their volunteer day to put something back into the local community. For example, a team of 12 volunteers from Data Collection and Management helped Vitalise, a charity providing respite care and other services for disabled and visually impaired people and their carers. The group developed a pond area dedicated to Vitalise's founder, who passed away in 2008, and planted a much needed hedge to secure a boundary at the charity's centre in Netley. This work will make a huge difference to people staying at the centre.

Other staff initiatives include volunteering at Naomi House Children's Hospice (a previous corporate charity) and assisting with other projects at local schools and community groups.

Developing our people

We aim to provide a working environment that promotes personal development to increase job effectiveness. We offer all staff an extensive learning and development portfolio, which incorporates both soft skills development and technical training. Many of our staff also complete professional qualifications.

This year we have launched a leadership programme open to all staff and devised a development series for new and existing managers. We will be refreshing our approach to talent management over the coming year. Our performance management system, Pathways, has been embedded in our HR processes and aims both to challenge and support individual efforts and recognise and improve performance.

Our commitment to the development of our people was recognised this year through achieving Investors in People® accreditation. We exceeded the standard level in the three areas – consultation, equal opportunities and learning and development.

Equality and diversity

Key to developing our people and serving customers is the importance of valuing equality and diversity. We have specific guidance for staff on assessing the impact of our policies and practices on race, disability and gender, and during the year we carried out an equality audit to ensure we comply with all legislation.

As part of our induction programme, new staff complete an online e-learning module called *Diversity in the workplace*, and in 2008 all staff attended a *Focusing on Diversity* workshop to raise awareness of equality issues and employee responsibilities. We also resurveyed all staff to help monitor our performance in meeting statutory equality duties more accurately.

To encourage applications from all groups represented in society and ensure a diverse workforce, we place recruitment adverts in various publications such as the *Employmentability Handbook* and *Equality Britain Directory*.



Your Say

Every year we carry out an employee opinion survey called *Your Say* which covers issues such as job satisfaction, working relationships, perceptions of corporate leadership and how we individually contribute to customer service.

This year's results showed an improvement on last year for most of the indicators. When the results of the survey were released, all of the directors shared the results with their teams and sought additional feedback about the improvements they would like to see. Among the changes that were requested, we have been focusing on improving the communication channels between senior managers and their staff, and gaining more clarity about how team and individual goals link to the organisation's business plan.

Health and safety management

Health and safety has remained at the forefront of operational activities during the year. With the introduction of new technologies, we have reviewed and amended many risk assessments and method statements. We have also ensured that our documentation encompasses all new pertinent health and safety legislation.

We have concentrated on ensuring that the increasing number of people working from home are given comprehensive risk assessment guidance and we are designing a comprehensive e-learning course for our business drivers to ensure they remain compliant with the Road Traffic Act and the latest version of the Highway Code.

Following a successful external audit, we were awarded a fourth consecutive

International Safety Award from the British Safety Council. This recognises our continued commitment to health and safety, a reduction in accidents during the year, and our promotion of health and safety throughout the organisation.

Prime Minister Gordon Brown commented: *'I am delighted to send my congratulations to all those organisations being presented with an award by the British Safety Council. These awards recognise the crucial success that these organisations and their employees have achieved in their pursuit of excellence in the management of health, safety and environmental matters at an international level.'*

Planning a sustainable future

Our new head office and on-site nursery at Adanac Park, alongside the M271 at the gateway to Southampton, has been designed to have very low energy use, make maximum use of natural resources and minimise green house gas emissions. This includes using the ground as a source, through heat pumps, to heat and cool the building and natural ventilation to reduce the need for air conditioning.

Up to 200 building workers will be employed on the site, with work expected to take 17 months. Staff are expected to move from our existing offices at the end of 2010. Our current site, which was designed when business and technology needs were markedly different to today, is then earmarked for redevelopment.

The development is a sound investment for our future, providing a modern building suitable for a forward-looking information and technology business and efficient, attractive working conditions for our staff.

Our contribution to a greener future

Our environmental management system (EMS) supports our Environmental policy. It has three main drivers: legislation, Sustainable Operations on the Government Estate (SOGE) targets and corporate responsibility, and can be accessed by all staff via our Intranet. We also have a Sustainable Development Action plan to help meet our environmental targets.

Staff initiatives

We are committed to reducing our carbon footprint and promote continual environmental improvement in our daily operations through a dedicated working group and a network of Eco-Partners, environmental champions in each of our Business Groups. During the past year these have been involved in initiatives such as introducing a 'hub mug' to reduce the number of cardboard cups going to landfill, replacing disposable batteries with rechargeable ones and investigating the better use of videoconferencing.

Energy

Our combined heat and power system generates around half of our electricity requirements, with the remainder obtained under a contract where electricity is generated from renewable source. This enables us to exceed government targets to obtain at least 10% of electricity from renewable sources.

As part of our Agency Performance Monitors, we have a target to reduce energy emissions from our head office. We are required to achieve a 30% reduction on the baseline year of 2000–01 of 1 656.66 tonnes of carbon, and this year we are on target to achieve a 36% reduction.

John Denham MP,
then Secretary of
State for Innovation
Universities and
Skills, and
Vanessa Lawrence CB,
Ordnance Survey
Director General
and Chief
Executive, broke
the earth at
Adanac Park using
traditional silver
spades



Procurement

We continued our drive for sustainable procurement to improve our evaluation of products by introducing Defra's Quick Wins 2007 standards into our purchasing process. Quick Wins, developed by Defra's Product Standards Unit, is a set of minimum environmental standards to which commonly-purchased products must conform and have been used this year in our IT purchasing.

Travel plan

Our site travel plan, now in its sixth year, continues to encourage alternative forms of business and commuter travel. It also aims to further reduce the number of single-occupancy car journeys and the numbers of staff car sharing continued to grow in 2008–09, with 135 groups now registered in our scheme. The number of people cycling to work also increased, to 83 from 77 in 2007–08, and we have seen around 5% take up of our Cyclescheme – a bike purchase plan that allows staff to save up to 50% on the cost of a new bike through tax-free salary deductions spread over a year.

Waste

We are working towards Government targets to recycle 40% of our waste by 2010 and to reduce our overall waste by 5% from 2004–05 levels. We continue our focus to prevent waste at source and also minimise the amount sent to landfill.

Water

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

Cycling	
Date	Average number of cyclists per day
2003–04	53
2004–05	60
2005–06	79
2006–07	82
2007–08	77
2008–09	83

Car sharing			
Date	Groups joining	% growth	Total
2004–05	71	100%	71
2005–06	23	32%	94
2006–07	13	14%	107
2007–08	13	12%	120
2008–09	28	13%*	135*

*Takes account of the fact that some groups have left Ordnance Survey/stopped car sharing

2004–05	
Office waste recycled 21%	Non-office recycled 71%
Office waste landfill 79%	Non-office landfill 29%
Tonnage 282	Tonnage 407
2005–06	
Office waste recycled 24%	Non-office recycled 86%
Office waste landfill 76%	Non-office landfill 14%
Tonnage 302	Tonnage 538
2006–07	
Office waste recycled 35%	Non-office recycled 72%
Office waste landfill 65%	Non-office landfill 28%
Tonnage 304	Tonnage 443
2007–08	
Office waste recycled 25%	Non-office recycled 79%
Office waste landfill 75%	Non-office landfill 21%
Tonnage 266	Tonnage 512
2008–09	
Office waste recycled 29%	Non-office recycled 80%
Office waste landfill 71%	Non-office landfill 20%
Tonnage 280	Tonnage 375

Our Directors

Sir Rob Margetts CBE, FREng, FIChemE **Non-Executive Chair**

Sir Rob was appointed as Ordnance Survey's first Non-Executive Chair in August 2008. His role is to lead Ordnance Survey's Strategy Board and he reports to Shareholder Executive, the body that advises Ministers and senior officials on the government's 'shareholding' in organisations like Ordnance Survey. His appointment brings Ordnance Survey in line with other Trading Funds with Non-Executive Chairs that have already modernised their governance structures, such as the Met Office and UK Hydrographic Office.

Beginning his career with the ICI® Group in 1969, Sir Rob progressed through a number of appointments within the group prior to joining the Board in 1992, becoming Vice-Chairman from 1998 to 2000. Since 2000 he has been Chairman of Legal & General® Group plc and of BOC Group plc from 2001 to 2006.

He is also Non-Executive Director of Anglo-American plc and Chairman of the Energy Technologies Institute and Ensus Ltd. Sir Rob was Chairman of the Natural Environment Research Council (NERC) from 2001 to 2006.

Vanessa Lawrence CB **Director General and Chief Executive**

Vanessa is the first woman to head Ordnance Survey and one of the youngest Directors General in its 218-year history. She is a world-renowned expert in how geographical information systems (GIS) can improve decision making at all levels of government and business. Vanessa is the official adviser to the British Government on mapping, surveying and geographic information. Vanessa chaired, until November 2008, when responsibilities were transferred to Defra, a high-level group with membership drawn from the public and private sectors advising Ministers on using location information to improve decision making in government.

Vanessa also holds a number of honorary and representative roles with organisations associated with geographic information. Last year Vanessa was made The Institute of Directors' Director of the year for the South of England, and Honorary fellow of the Royal Academy of Engineering and appointed as an independent Board member at the University of Cambridge.

Bob Goodrich **Director of Information Systems**

Bob is responsible for Ordnance Survey's entire technology infrastructure. This includes the implementation of our new seamless database management system, which will improve the speed and efficiency of how we handle and generate our geographic information. Bob was previously the Programme Director. He originally trained as an Ordnance Survey cartographer before moving to Research and Development, and finally Information Services. It was there that he was instrumental in the 2001 delivery of OS MasterMap, the largest seamless geospatial database in the world.

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

James is responsible for the sales and marketing of digital data and paper mapping. He joined Ordnance Survey from the private sector in November 2001, bringing over 15 years' extensive IT technical and consultative sales and marketing management experience. In his former employment he established the UK organisation for a US B2B collaboration and e-commerce web portal solutions provider in 12 months, and launched the brand in an emerging marketplace.

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

Jan is responsible for a range of services, including human resources, health and safety, estate services and internal communications. Before joining

Ordnance Survey in 2002, Jan held a number of senior posts at Centrica® plc, the most recent of which was Customer Services Director with Goldfish® – Centrica's banking business.

Peter ter Haar **Director of Products**

Peter is responsible for all aspects of product management, including product marketing, engineering, cartography and supply. He joined Ordnance Survey in November 2006, with more than 18 years' experience in product management and business development in both the public and private sectors in GIS, location-based services (LBS) and mobile technology. His previous roles include the head of GIS at the City of Amsterdam, and senior product and technical management roles in Geodan, Autodesk® Europe and Intergraph® Europe.

Neil Ackroyd **Director of Data Collection and Management**

Neil leads the organisation's gathering of information from across Great Britain to maintain and update our digital mapping database. Prior to joining Ordnance Survey in 2001, Neil was the European Technical Manager for LBS company Trimble®. He had a primary role in the adoption of GPS technology across both the public and private sectors.

Mark Alexander **Director of Finance**

Mark heads our Finance, Procurement, Corporate Planning and Risk Management teams and our Programme Delivery Unit. He was previously at construction group Bovis Lend Lease®, where he was Chief Financial Officer of its PFI business. Prior to that, he held senior posts in the rail industry as Finance Director for train operator Laing Rail, and in the technology sector for science and engineering group AEA Technology®.

Our Strategy Board

Sir Rob Margetts CBE, FREng, FICHEM, Vanessa Lawrence CB, Bob Goodrich
James Brayshaw, Jan Hutchinson, Peter ter Haar
Neil Ackroyd, Mark Alexander, Michael Sommers
Piers White, Charlie Villar, Katherine Innes Ker.

Non-Executive Directors

Ordnance Survey's Non-Executive Directors are appointed by the Secretary of State to sit on the Strategy Board.

Michael Sommers

Michael runs his own strategic marketing consultancy and is also a Non-Executive Director of the Department for Work and Pensions. His career includes marketing directorship roles for Woolworths® plc and TSB, and managing directorships at Entertainment UK and MGM® Cinemas. He is also the acting marketing director for DMG World Media®, the owners of The Ordnance Survey Outdoors Show.

Piers White

Piers is a banker by background and until the recent sale was Chief Executive Officer of Insinger de Beaufort. His previous positions include Service Director of Barclays® Bank, Managing Director of Fleming Premier Banking®, Chairman of Fleming Offshore Private Banking and a Director of the Save & Prosper® Group Ltd. He is a Non Executive Director of CIPFA Business Ltd, Croydon Economic Development Company, and a school governor.

Charlie Villar

The Shareholder Executive was created in September 2003 to improve the government's performance as a shareholder in businesses. It advises Ministers and officials on a wide range of shareholder issues, including objectives, governance, strategy, performance monitoring, board appointments and remuneration. The Executive has also been tasked to programme manage the Operational Efficiency Programme. Charlie joined the Shareholder Executive in September 2003. Prior to that, he spent over ten years as a consultant at Andersen. During that time he predominantly worked in the telecommunications and media sector. In the Shareholder Executive, Charlie leads on Northern Rock™, Bradford & Bingley®, Ordnance Survey and the Royal Mint.

Katherine Innes Ker

Katherine was a Non-Executive Director of Ordnance Survey until 31 July 2008.



As a government department in our own right with Executive Agency status, we report to Parliament through Ministers in the Department for Communities and Local Government.

Our principal governance structure consists of our Strategy and Operating Boards and our Audit and Risk, and Remuneration Committees.

Chaired by our Chairman, our Strategy Board is made up of our Executive and Non-Executive Directors. It focuses on our strategic priorities, overseeing how well we are meeting the remit assigned to us by Ministers. Key to this is the need to monitor the external business environment and challenge internal business performance to ensure our strategy remains relevant and effective.

The Operating Board, chaired by the Director General and Chief Executive, is made up of our Executive Directors and ensures the practical implementation of the strategy.

The Audit and Risk Committee, comprising our Non-Executive Directors and chaired by Piers White, provides independent assessment of the effectiveness of our internal governance, risk and control processes, supported by Internal Audit.

The membership and responsibilities of our Remuneration Committee are detailed in the Directors' remuneration report on page 43.

Directors' remunerations

1. Remuneration policy

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

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

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

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

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

2. Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made. The officials covered by this report hold appointments which are open-ended until they reach the normal retiring age of 60 (individuals may elect to work up to

age 65). Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

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

3. The Remuneration Committee at 31 March 2009

The Remuneration Committee was chaired by the Director General and Chief Executive, Vanessa Lawrence until 31 December 2008 and met annually to agree the remuneration policy and practice for Executive Directors and other senior staff. Piers White and Michael Sommers, Non-Executive Directors, and Jan Hutchinson, Director of Human Resources and Corporate Services,

served on the Remuneration Committee. The Director General and Chief Executive was not present for discussions on matters concerning her remuneration; at these times her place is taken by Jan Hutchinson, Director of Human Resources and Corporate Services. From 1 January 2009, Sir Rob Margetts has Chaired the Remuneration Committee.

4. Directors' remuneration

The most senior members and key decision makers of Ordnance Survey are the members of the Strategy and Operating Boards, details of whom are contained in the Foreword to the Accounts.

The salary and the value of any taxable benefits in kind of the most senior members of Ordnance Survey were as follows:

	Salary 2008–09, including performance pay £'000	Salary 2007–08, including performance pay £'000
Vanessa Lawrence CB Director General and Chief Executive	200–205	195–200
Neil Ackroyd Director	135–140	130–135
James Brayshaw Director	145–150	140–145
Peter ter Haar Director	110–115	95–100
Jan Hutchinson Director	135–140	120–125
Bob Goodrich Director	110–115	50–55 (110–115 full year equivalent)
Mark Alexander Director	120–125	20–25 (100–105 full year equivalent)

- Salary includes gross salary, performance pay, recruitment and retention allowance and all allowances that are subject to UK taxation.
- The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue and Customs as a taxable emolument. In 2008–09 Neil Ackroyd and Peter ter Haar each had use of a car under the terms of the Private User Scheme, the respective benefit in kind amounts were £3 000 and £4 300.
- The Director General and Chief Executive's remuneration for 2008–09 includes a bonus paid in respect of 2007–08. The bonus payable for 2008–09 has yet to be approved.

5. Directors' pensions

	Real increase in pension and related lump sum at age 60	Total accrued pension at 60 at 31 March 2009 and related lump sum	Cash Equivalent Transfer Value (CETV) at 31 March 2008	CETV at 31 March 2009	Real increase in CETV after adjustment for inflation and changes in market investment factors
	£'000	£'000	£'000	£'000	£'000
Vanessa Lawrence CB Director General and Chief Executive	2.5–5 plus 0–0.5 lump sum	25–30 plus 10–15 lump sum	316	380	30
Neil Ackroyd Director	0–2.5	10–15 plus 0–5 lump sum	157	195	21
James Brayshaw Director	0–2.5	10–15	164	202	20
Peter ter Haar Director	0–2.5	2.5–5	28	51	17
Jan Hutchinson Director	0–2.5 plus 5–7.5 lump sum	5–10 plus 25–30 lump sum	158	207	35
Bob Goodrich Director	7.5–10 plus 20–25 lump sum	40–45 plus 130–135 lump sum	743	978	167
Mark Alexander Director	0–2.5	2.5–5	6	32	24

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

Vanessa Lawrence and Neil Ackroyd are members of the Classic Plus Scheme. Vanessa Lawrence is also a member of the Civil Service Supplementary (Earnings Cap) Pension Scheme 1994. This is an unapproved, unfunded retirement benefit scheme (UURBS) laid under the Superannuation Act 1972. It provides benefits to members in respect of pensionable pay over the earnings cap. The benefits are calculated in the same way as benefits in the PCSPS.

James Brayshaw and Peter ter Haar are members of the Premium Scheme; the remaining directors are all members of the Classic Scheme.

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

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a

particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and other pension details include the value of any pension benefit in another scheme which the individual has transferred to the Civil Service Pension arrangements and for which the Civil Superannuation

Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax, which may be due when pension benefits are drawn.

6. Non-Executive Directors

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

7. Payments to Non-Executive Directors

Ordnance Survey Non-Executive Directors are not Ordnance Survey employees and are not members of the PCSPS.

Fees paid to Non-Executive Directors were as follows:

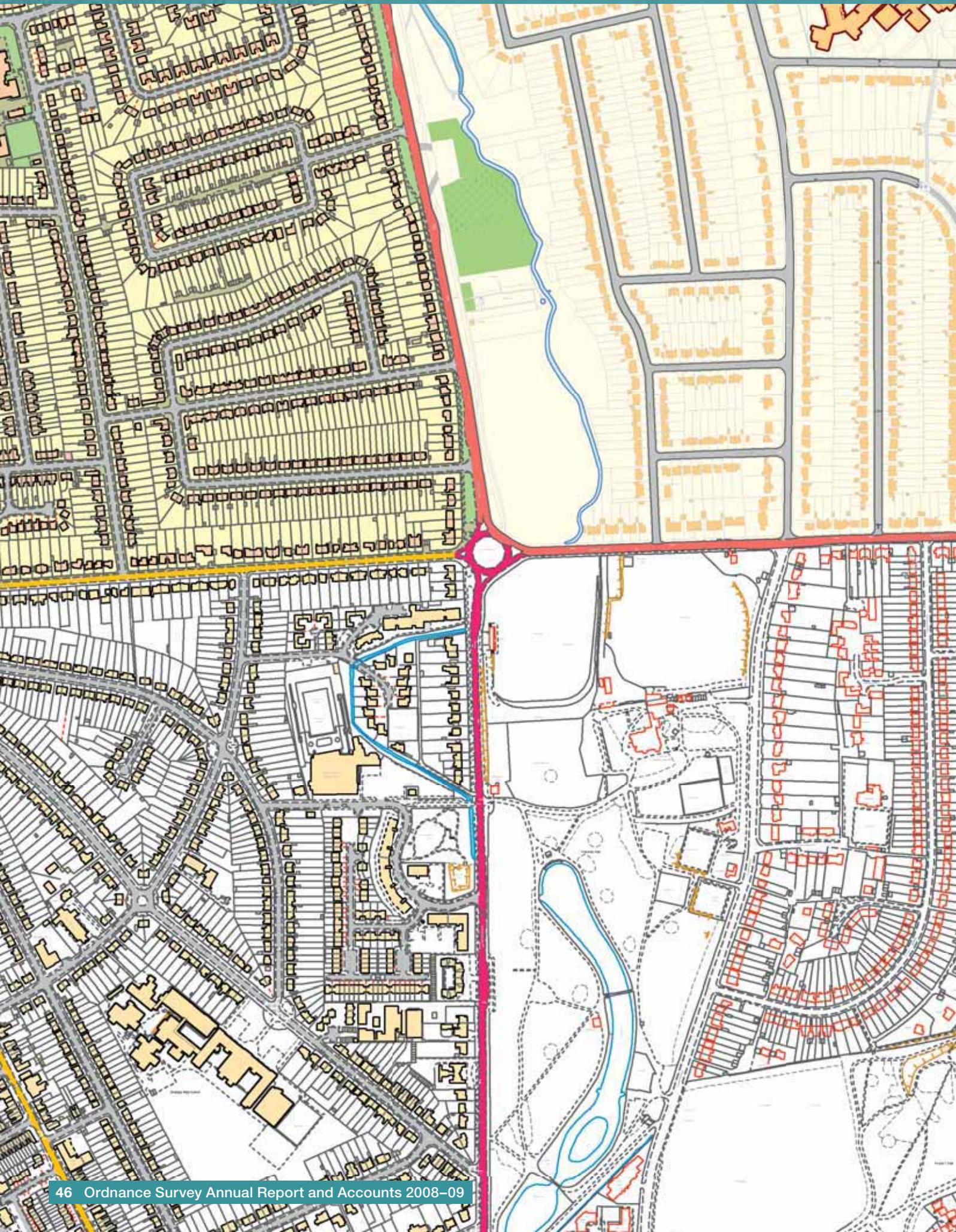
	2008–09	2007–08
Sir Rob Margetts CBE	40	–
Michael Sommers	15–20	15–20
Piers White	15–20	15–20
Dr Katherine Innes Ker (Until July 2008)	5–10	15–20

The inclusion of a Directors' Remuneration Report containing information about the salary and benefits of the senior managers of Ordnance Survey is a requirement of the Government Financial Reporting Manual (FRM). Please note that the actual salary and benefit details of each director form the audited elements of this report, as referred to in The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament, which is to be found on page 52 of the Annual Accounts.



Vanessa V Lawrence CB
Director General and Chief Executive

30 June 2009



Foreword to the accounts

Results for the year

The surplus for the year is £16 279 000 (2007–08: £22 548 000) before interest and dividends payable. A dividend of £4 832 000 (2007–08: £3 713 000) for the financial year ended 31 March 2009 is payable to the Department for Communities and Local Government, see Note 6. The surplus after interest and dividend was transferred to the general reserve as shown in Note 13.

Details of the achievement of the longer-term financial objective are shown in Note 21. Further details are contained in the Business Review.

Auditor

The Auditor is the Comptroller and Auditor General. The costs of the statutory audit services provided by the National Audit Office for 2008–09 are estimated at £69 750 and provision is included in these Accounts, see Note 4. Additional audit costs of £28 000 relating to IFRS transition have also been incurred.

Company Directorships of Board members with related parties in 2008–09

Disclosed below are the company directorships and other significant interests held by Ordnance Survey Board members, which may conflict with their management responsibilities.

Peter ter Haar and James Brayshaw were Executive Directors of PointX Limited.

Michael Sommers was a Non-Executive Director of the Department for Work and Pensions.

Further details of these directorships and the associated related party transactions in the financial year are set out in Note 18.



Vanessa V Lawrence CB
Director General and Chief Executive

30 June 2009

Statement of Ordnance Survey's and Director General and Chief Executive's responsibilities

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

In preparing the accounts Ordnance Survey is required to:

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

HM Treasury has appointed the Director General and Chief Executive of Ordnance Survey as the Accounting Officer for the Agency. Her relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Framework Document, and in the Accounting Officers' Memorandum issued by HM Treasury and published in Managing Public Money (The Stationery Office, October 2007).

Statement on Internal Control

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Ordnance Survey's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*⁽¹⁾.

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

2. The purpose of the system of internal control

The system of internal control is:

- Designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.
- Based on an ongoing process designed to identify and prioritise the risks to the achievement of Ordnance Survey policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- Operating effectively in Ordnance Survey for the year ended 31 March 2009 and up to the date of the approval of the Annual Report and Accounts, and accords with Treasury guidance.

3. Capacity to handle risk

In Ordnance Survey we have a comprehensive risk management process reaching every level of the business under the leadership of our Strategy Board (Ordnance Survey Executive and Non-Executive Directors) and Audit & Risk Committee (OSARC). Our Chief Risk Officer, Senior Information Risk Officer and Head of Risk & Assurance lead and manage the operational risk, information risk and security management, and business continuity management functions across Ordnance Survey to promote continuous improvement and adoption of best practice within the corporate risk management processes.

We have completed a Fraud Risk Assessment to establish areas of vulnerability within the organisation that may be susceptible to fraud. We have also completed the HM Treasury Annual Fraud return and confirm that no material fraud has been identified or reported during the financial year 2008–09.

We have commissioned an external review of our risk management framework and processes. The Operating Board has approved the implementation of a comprehensive risk improvement programme over the next 18 months and we are committed to delivering effective enterprise-wide risk management across Ordnance Survey. The Risk Improvement programme is reviewed at regular intervals by the appropriate executives to ensure effective progress on agreed deliverables.

⁽¹⁾ HM Treasury: *Managing Public Money*, October 2007.

4. The risk and control framework

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

- risks to the achievement of business objectives, from strategic to operational level, are proactively identified, categorised and prioritised through a corporate risk register in a consistent manner throughout the business;
- actions to mitigate identified risks to acceptable levels are designed, assigned an owner, implemented and reviewed for effectiveness;
- risks are evaluated for potential impact, likelihood and proximity and regularly reviewed to ensure they remain at an acceptable level to the business; and
- the performance of the overall risk management process is kept under review to ensure it is working effectively and adding value to the business.

Acceptable level of risk is determined and risk management is embedded in the activities of Ordnance Survey through the roles and actions of the key decision-making groups:

- Strategy Board (Executive and Non-Executive Directors) receives a monthly business report identifying significant

business risks and sets an acceptable level of risk through its consideration of those risks and the appropriateness and effectiveness of chosen mitigation strategies.

- Operating Board (Executive Directors) receives regular updates from responsible officers on our key investment programmes and the risks influencing successful delivery.
- Risk & Assurance Committee and various related working groups with responsibility for management, monitoring and reporting of Internal Audit, Operational, Information and Business Continuity Management risks.
- Information Risk Management capability has been improved to ensure that risks to information are being actively managed and controlled. The annual Information Risk assessment has been completed and approved by the Accounting Officer. Senior Information Risk Officer (SIRO) has been appointed and 'confirms that the Annual Assessment of Information Risk has been completed satisfactorily.' This is supported by written assessments from all Information Asset Owners confirming that they 'have exercised mandatory and departmental controls and discharged these appropriately.' The Information Risk Report has been approved by the Audit & Risk Committee, Accounting Officer before submission to Communities and Local Government.⁽²⁾
- Investment Group acts as the focal point for the management of risks, which are part of our programme of change-related investments.
- Corporate Programme Board ensures that risks are taken into account in managing the programmes and projects for which they are responsible through the Programme Delivery Unit.
- Business Group management boards review local risks and provide input into the corporate risk reporting process.
- OSARC provides independent assessment of the effectiveness of our internal governance, risk and control processes, supported by Internal Audit.

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

Ordnance Survey have published their interactive Business Strategy on the website.

⁽²⁾ Cabinet Office – Annual Information Risk Assessment requires approval by the Accounting Officer and SIRO.

5. Review of effectiveness of control

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

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

The Strategy Board, who:

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

The Operating Board, who:

- ensure the efficient and effective management of operations designed to ensure implementation of Ordnance Survey's strategy; and
- receive reports on various aspects of the business to ensure internal control is maintained and risk is managed effectively.

The Audit & Risk Committee (OSARC), who:

- via the Chair confirms that the Committee has discharged its responsibilities effectively and in accordance with the terms of reference;⁽³⁾
- advise me and the Strategy Board on issues of risk, control, governance and associated assurance;
- review the work and performance of Internal Audit and its findings regarding the adequacy of the internal control framework, including appropriateness of management's responses to issues raised; and
- discuss progress reports and the management report from the National Audit Office.

Risk & Assurance Function

The Board approved the establishment of a Risk & Assurance function to create a centre of excellence and provide cross-business provision of an assurance service in respect of governance, risk and control. The Risk & Assurance Function integrates three teams:

- a) Risk & Business Continuity
- b) Information Risk Management
- c) Internal Audit

Risk and Assurance specific responsibilities include:

Risk & Business Continuity, who:

- Maintain the Risk management framework and policy.
- Plan and delivering a programme of Risk Assessments.
- Provide the Chief Risk Officer (CRO) and Ordnance Survey Audit and Risk Committee (OSARC) with assurance on the effectiveness of the Risk Framework.
- Provide an effective business continuity management capability.

⁽³⁾ HM Treasury – Audit Committee Handbook March 2007 requirement.

Information Risk Management, who:

- Develop policies and process to ensure Ordnance Survey complies with legislation as set out in the Cabinet Office Security Policy Framework.
- Develop a robust information risk management and assurance programme to support the responsibilities of the Senior Information Risk Officer, Chief Risk Officer and Information Asset Owners.
- Provide the Director General & Chief Executive Officer with assurance on the effectiveness of Information Risk Management for the annual Statement on Internal Control.
- Provide IT security consultancy, advice, training and assessment services in support of the project developments and IS Infrastructure.

Internal Audit, who:

- Operate to Government Internal Audit Standards.
- Test the effectiveness of the system of internal control.
- Carry out a risk-based programme of work aligned with the corporate business planning framework and containing the main business processes, projects, assets, performance, legislative and compliance issues significant to

Ordnance Survey's strategic direction, business goals and risk environment.

- Provide reports to me, the Board and the OSARC on: progress with the audit programme; the outcome of individual audits, in the form of an opinion on the effectiveness of the framework of risk management, control and governance in place designed to support the achievement of management's objectives; and management's proposed actions in response to audit observations on the adequacy of risks mitigation.

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

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

6. Audit Assurances

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

- there is no relevant audit information of which the auditors are unaware; and
- I have taken all the steps necessary to ensure that the auditors are aware of all relevant audit information.

Overall, I consider there are no significant areas of control weakness within Ordnance Survey. Progress has been made during the year to strengthen the risk management framework. Work has continued during the year to improve risk awareness and ownership; and the effective operation of the risk committees has increased our focus on risk management, providing additional support for the review of risk at Board level.



Vanessa V Lawrence CB
Director General and Chief Executive Officer

30 June 2009

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

I certify that I have audited the financial statements of Ordnance Survey for the year ended 31 March 2009 under the Government Trading Funds Act 1973. These comprise the Operating Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of Ordnance Survey, the Director General and Chief Executive and Auditor

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder. I report to you whether, in my opinion, the information, which comprises the Business Review, Financial Review and sections entitled 'Business Performance', 'Corporate Responsibility' and 'Our Directors', included in the Annual Report, is consistent with the financial statements. I also report whether, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if Ordnance Survey has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if

information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Foreword, the unaudited part of the Remuneration Report, the Introduction from the Chairman, the Director General and Chief Executive's overview, and the sections entitled 'The year in summary', 'Who we are and what we do', 'Collecting, maintaining and providing information', 'Stakeholder engagement', and 'Corporate Governance'. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

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

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

transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Adverse opinion on the financial statements

Ordnance Survey's turnover of £117 million derives principally from the exploitation of data held in its National Geographic Database, the creation of which has been funded by the past investment of public funds. As disclosed in Note 1.7 to the accounts, Ordnance Survey has not capitalised the cost of setting up and maintaining the geographic data in its balance sheet. In Ordnance Survey's view, the data is an intangible fixed asset that does not meet the conditions for capitalisation set by Financial Reporting Standard 10. In my opinion, the data held is a tangible fixed asset that should be capitalised in accordance with Financial Reporting Standard 15. Had this data been capitalised, we consider that the effect would have been to increase the tangible fixed assets included in the balance sheet at 31 March 2009 by a material amount.

In my opinion:

- In view of the effect of the decision not to capitalise the geographic data held as a tangible fixed asset in accordance with Financial Reporting Standard 15, the financial statements do not give a true and fair view of the state of Ordnance Survey's affairs as at 31 March 2009 or of its surplus for the year then ended;
- In all other respects, the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder; and
- Notwithstanding our adverse opinion on the financial statements, information, which comprises the Business Review, Financial Review and sections entitled 'Business Performance', 'Corporate Responsibility' and 'Our Directors' included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

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

Report

Details of my adverse opinion are set out in my report on the 2007–08 accounts (HC751, 2007–08), the facts of which are still relevant to the 2008–09 accounts. I have no further observations to make on these accounts.

Amyas C E Morse Comptroller and Auditor General

National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS

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

Operating account for the year ended 31 March 2009

	Note	2008–09		2007–08
		£'000	£'000	£'000
Turnover				
Turnover from operating activities	2.1	116 553		118 209
Income from investment property	2.2	645		531
			117 198	118 740
Operating costs				
Staff costs	3.3	62 975		58 298
Amortisation of intangible fixed assets	7.1	58		258
Depreciation of tangible fixed assets	7.2	3 287		4 523
Other operating charges	4	34 489		33 054
Total operating costs			100 809	96 133
Operating surplus				
Share of operating (loss)/profit – PointX	8		(125)	8
Total operating surplus			16 264	22 615
Profit/(Loss) on disposal of fixed assets			15	(67)
Surplus on ordinary activities before interest and dividend payable			16 279	22 548
Interest receivable	5	1 962		2 142
Interest payable and financing charges	5	(904)		(854)
Net interest			1 058	1 288
Surplus on ordinary activities before dividend payable			17 337	23 836
Dividend payable	6		(4 832)	(3 713)
Surplus for the year	13.1		12 505	20 123

All Ordnance Survey activities are continuing. There have been no material acquisitions or disposals in the year.

Statement of total recognised gains and losses for the year ended 31 March 2009

	Note	2008–09 £'000	2007–08 £'000
Surplus for the financial year		12 505	20 123
Unrealised loss on revaluation of fixed assets	13.2	(5 257)	366
Unrealised (loss)/gain on revaluation of investment assets	13.2	(4 325)	(140)
Total gains relating to the financial year		<u>2 923</u>	<u>20 349</u>

The notes on pages 58 to 72 form part of these accounts.

Balance sheet at 31 March 2009

	Note	31 March 2009		31 March 2008
		£'000	£'000	(as restated)* £'000
Fixed assets				
Intangible fixed assets	7.1	262		232
Tangible fixed assets	7.2	72 347		58 573
Fixed asset investments				
– Property	7.3	4 195		8 520
– Other investments – PointX	8	–		105
			76 804	67 430
Current assets				
Stocks and work-in-progress	9	1 569		1 889
Debtors	10.1	16 921		15 307
Prepayments	10.2	2 958		1 843
Cash on deposit	14.4	17 000		25 300
Cash at bank and in hand	14.1	1 337		2 064
		39 785		46 403
Creditors – Amounts falling due within one year	11.1	(27 345)		(25 511)
Net current assets			12 440	20 892
Creditors – Amounts falling due after more than one year	11.2		(6 125)	(6 347)
Provisions for liabilities and charges over one year	12		(4 486)	(6 265)
Total			78 633	75 710
Financed by:				
Capital and reserves				
Public Dividend Capital			14 000	14 000
General reserve	13.1		56 232	43 645
Revaluation reserve – tangible and intangible fixed assets	13.2		5 052	10 391
Investment revaluation reserve	13.2		3 349	7 674
Total			78 633	75 710

*See note 1.16

The Accounts were approved on 30 June 2009.



Vanessa V Lawrence CB

Director General and Chief Executive and Agency Accounting Officer

The notes on pages 58 to 72 form part of these accounts.

Cash flow statement for the year ended 31 March 2009

	Note	31 March 2009		31 March 2008
		£'000	£'000	£'000
Net cash inflow from operating activities	14.2		12 601	26 269
Returns on investments and servicing of finance				
Net interest received	15.1	1 721		1 757
Unwinding of early release discounts	12.1	(592)		(510)
Net cash inflow from returns on investments and servicing of finance			1 129	1 247
Capital expenditure and financial investment				
Net capital expenditure	15.2		(18 563)	(10 386)
Cash (outflow)/inflow before financing and use of liquid resources			(4 833)	17 130
Equity dividends paid	6		(3 713)	(4 610)
Management of liquid resources				
Decrease/(Increase) in short-term deposits	14.4		8 300	(12 500)
Financing				
Repayment of deemed loans	14.4		(481)	(593)
Decrease in net cash			(727)	(573)
Cash Movement				
Decrease in cash in the year		(727)		(573)
Cash at bank and in hand at 1 April		2 064		2 637
Cash at bank and in hand at 31 March	14.1		1 337	2 064
Reconciliation to net cash				
Net funds at 1 April	14.4	20 669		8 149
Decrease in net cash		(727)		(573)
(Decrease)/Increase in liquid resources – Short-term deposits	14.4	(8 300)		12 500
Reduction in borrowings – Deemed loans	14.4	481		593
Net funds at 31 March	14.4		12 123	20 669

The notes on pages 58 to 72 form part of these accounts.

Notes to the accounts

Note 1 Accounting policies

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

1.1 Accounting Conventions

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

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

1.2 Freehold land and buildings

Land and buildings office premises used in the principal business of Ordnance Survey are subject to a policy of revaluation and carried at current value. Current value is recorded at the lower of replacement cost and the recoverable amount, recoverable amount being the higher of net realisable value and the value in use (calculated using an appropriate risk adjusted discount factor).

The occupied land and buildings office premises are revalued by an external qualified valuer annually on an existing use value (EUV) basis. The revaluation where materially different from that at which the land and buildings are already carried is used to determine carrying value.

Depreciation is charged on the building on a straight-line basis over the useful economic life and is calculated with reference to the existing use value; details are contained in Note 1.5.

Details of the values included in these accounts are contained in Note 7.2.

1.3 Investment property

In accordance with SSAP 19, freehold property held surplus to requirements is carried at an open market value basis. An annual valuation is performed by an external qualified valuer at the balance sheet date. No depreciation is charged on investment property.

Details are included in Note 7.3 and rental income is shown in Note 2.2.

1.4 Other fixed assets

- 1.4.1 The minimum level for capitalisation as a fixed asset is £5 000, with the exception of Information Technology (IT) hardware and infrastructure systems, which is normally £1 000.
- 1.4.2 All IT workstations (office computers and laptops) are grouped as one asset.
- 1.4.3 Costs incurred in the creation of the core database management system and related infrastructure assets, both internal and external charges and software development, are capitalised as tangible fixed assets.
- 1.4.4 Software developed in house or by third parties is capitalised as a tangible fixed asset where integrated with specific hardware in an operating system; licences are capitalised as intangible.
- 1.4.5 The values of other fixed assets have been restated using appropriate indices published by the Office for National Statistics. Movements in fixed assets are disclosed in Note 7.

1.5 Depreciation and amortisation

Depreciation and amortisation are calculated so as to write off the cost or valuation of freehold buildings and other tangible and intangible fixed assets down to estimated residual value by equal instalments over their estimated useful lives. Lives are normally as follows:

Freehold buildings	45 years from original acquisition or remaining useful economic life
Machinery, equipment and fixtures	5 to 15 years
Computers and IT equipment	2 to 5 years
IT software	3 to 10 years
Software licences	3 to 10 years
Vehicles	4 years
Freehold land is not depreciated.	

For all fixed assets other than land and buildings, depreciation and amortisation charges for the year are calculated on the average asset values for the year (average of values recalculated annually using indices issued by the Office for National Statistics).

1.6 Stocks and work in progress

Stocks and work in progress are valued as follows:

Maps – at the lower of cost and net realisable value;

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

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

1.7 Geographic Data

The geographic data ('the data' – referred to as the National Geographic Database in previous financial statements) is the term used to describe the suite of geographic datasets which Ordnance Survey collects, develops and maintains to represent as digital and paper products which generate revenue.

The data is an internally generated intangible asset per Financial Reporting Standard 10 and as such can only be capitalised where there is a readily ascertainable market value evidenced by an active market for similar assets. Since the data is unique and has never changed ownership, the directors consider that no market value can be attached. Costs incurred on maintaining or enhancing the data are charged to the Operating Account as incurred.

The data must be distinguished from the database management systems on which the data is securely held and updated and which are capitalised as tangible fixed assets (see Note 1.4).

1.8 Turnover

Turnover is recognised on delivery of mapping goods and services, which comprise mapping data, information, customer-tailored services and copyright revenue (net of trade discount), and is shown net of value added tax (VAT).

Charges made for copyright licence fees consist of a combination of upfront payments and usage of the rights granted to the customer.

Copyright licence fees are recognised when the licence holder notifies Ordnance Survey of usage of those rights. Unpaid invoices for licence fees which relate to periods after the balance sheet date are included in the trade debtors balance. The net invoiced value relating to revenue to be recognised in the period after the balance sheet date is recorded in creditors as deferred income.

1.9 Pensions

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS); details are outlined in Note 3.3 of the pension schemes of which Ordnance Survey staff are members.

All new employees who joined Ordnance Survey on or after 30 July 2007 may choose between membership of the nuvos scheme and a partnership pension account.

From 1 October 2002, Ordnance Survey staff could have joined one of three statutory based final salary defined benefit schemes (classic, premium, and classic plus). New entrants after 1 October 2002 chose between membership of the premium scheme and joining a defined contribution scheme with a significant employer contribution (partnership pension account). The Premium schemes were closed to new entrants on 29 July 2007.

All employer pension contributions payable are charged to the Operating Account for the financial year as incurred, on the basis that the schemes are multi-employer and Ordnance Survey is unable to identify its share of the underlying assets and liabilities.

1.10 Early release costs

A provision is recognised in the financial year for the full cost of the pension contributions of employees who are identified at the discretion of Ordnance Survey and agree to take early retirement under restructuring arrangements before the balance sheet date (excluding actuarially reduced retirement and medical retirement) until they reach normal pensionable age.

The full cost of funding early leavers prior to 31 March 2008 has been provided for in earlier years. Funds are released from the provision annually to fund payments for pensions and related benefits to the retired employees until normal retirement age (see Note 12). Under the different funding arrangements which applied between October 1994 and 31 March 1997, 80% of the costs were met centrally from the Civil Superannuation Vote (CSV).

Until 1999, when Ordnance Survey was an on-vote Executive Agency, it made payments to the Civil Superannuation Vote to prefund some of the liabilities relating to compensation for early release.

The requirement of Financial Reporting Standard 12 has been adopted to state the early release and pension commitment provision at a discounted amount where the time value of money is material. The provision for the estimated payments has been discounted by the HM Treasury discount rate of 2.2% in real terms. The discount is unwound over the anticipated duration of the provision.

1.11 Research and development

Expenditure on research and development is treated as an operating charge in the year in which it is incurred.

1.12 Leases

Rentals payable under operating leases are charged to the Operating Account as incurred.

1.13 Taxation

As a Trading Fund, Ordnance Survey is not liable to corporation tax. Tax charges incurred or tax credits received and relating to joint venture undertakings are accounted for through the operating account adjusted for any deferred taxation charges or credits applicable.

1.14 Foreign currency transactions

Transactions denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the dates of the transactions. Exchange rate differences are charged to the Operating Account as incurred. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date.

1.15 Financial Instruments

Ordnance Survey has classified its financial instruments as follows:

- Fixed deposits, including funds held with banks, trade receivables, trade payables, and borrowings are classified as Loans and receivables.

- Investments (other than joint ventures) and short-term deposits are classified as available for sale.

Loans and receivables are initially recognised at fair value on the trade date, and subsequently measured at amortised cost using the effective interest method. These are included within current assets or liabilities, unless expected maturity is greater than 12 months after the balance sheet date.

Assets classified as available for sale financial assets are initially measured at fair value plus any transaction costs. They are subsequently measured at fair value. Unrealised gains and losses arising from changes in fair value are recognised in the statement of recognised income and expense.

1.16 Prior period adjustment – Change in Accounting Policy

Ordnance Survey has changed its treatment of the deemed loan balance on the implementation of FRS 25 (financial instruments – disclosure and presentation), FRS 26 (financial instruments – recognition and measurement) and FRS 29 (financial instruments – disclosures). Under the new application of these standards now required by FReM, the deemed loans totalling £6 000 000 (2007–08: £6 214 000) display the characteristics of a financial liability and have been reclassified accordingly. There has been no financial impact on the results of the prior period. The effect of the change in accounting policy is to reduce net assets and reserves by £6 000 000 (2007–08: £6 214 000).

2. Turnover

2.1 Operating turnover

Ordnance Survey's operating turnover is principally generated by the sales of mapping data, including mapping data information, customer-tailored services and copyright revenue.

2.2 Income from investment property

Details of this property are included in Notes 1.3 and 7.3. Rent received in 2008–09 totalled £645 000 (£531 000 in 2007–08). Incentives in the form of rent-free periods are accounted for by spreading the rent receivable on a straight-line basis over either the relevant lease period or a shorter period ending on a date from which it is expected that the prevailing market rental will be payable under the lease.

3 Staff numbers and costs

3.1 Total permanent staff numbers

The average monthly number of whole-time equivalent persons, all classified as Civil Service staff, employed by Ordnance Survey during the year was as follows:

	2008–09	2007–08
Operations	1 012	972
Sales and Marketing	174	176
Corporate Services	186	221
	<u>1 372</u>	<u>1 369</u>

3.2 Total temporary/agency/contract staff

The average monthly number of whole-time equivalent temporary/agency/contract persons employed by Ordnance Survey during the year was as follows:

	2008–09	2007–08
Operations	225	231
Sales and Marketing	3	6
Corporate Services	9	11
	<u>237</u>	<u>248</u>

The figures for Operations reflect continued investment during the year in quality improvement to prepare data for further product releases and in the development of an integrated data capture, storage and maintenance infrastructure.

3.3 Total staff costs

The aggregate payroll costs were as follows:

	2008–09	2007–08
	£'000	£'000
Wages and salaries	41 688	40 301
Social Security costs	3 538	3 434
Pension costs	8 110	7 601
Capitalised labour	(1 402)	(1 456)
Additional early release costs in year (Notes 1.10 and 12)	936	796
	<u>52 870</u>	<u>50 676</u>
Temporary/agency/labour costs	12 951	11 474
Temporary/agency/labour – capitalised	(2 846)	(3 852)
	<u>62 975</u>	<u>58 298</u>

Pension costs

For 2008–09 employer's contributions of £8 110 000 were payable to the Principal Civil Service Pension Scheme (PCSPS) (£7 601 000 for 2007–08) at one of four rates in the range 17.1 to 29.0% of pensionable pay (unchanged from 2007–08), based on salary bands. The Scheme Actuary reviews employers' contributions every four years following a full scheme valuation. The contribution rates are set to meet the costs of the benefits accruing during 2008–09 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

In 2008–09 there was one retirement on ill-health grounds of a member of staff amounting to an additional accrued pension liability in the year of nil (in 2007–08 one person retired on ill health grounds, additional accrued pension liabilities nil).

The PCSPS is an unfunded multi-employer defined benefit scheme, but Ordnance Survey is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

Ordnance Survey staff are members of the following schemes:

Classic Scheme

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

Premium Scheme

Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike the classic scheme, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times

pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume zero maximum commutation. Members pay contributions of 3.5% of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8^{ths} of the member's pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

Classic Plus Scheme

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

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

Partnership Pension Account

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending upon the age of the member) into a stakeholder pension product. The employee does not have to contribute but, where they do make contributions, these will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up to 25% of the fund as a lump sum.

Ordnance Survey had 8 members of the partnership pension account in 2008–09 (13 in 2007–08). Employers' contributions paid to appointed stakeholder pension providers, and also to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees were immaterial. Contributions due to the partnership pension providers at the balance sheet date were £4 500 (2007–08: £2 000).

Nuvos

This is a defined benefit scheme where benefits accrue on an annual basis throughout the career and are increased in line with the retail prices index. The benefits are payable from age 65.

Early release costs provided for in financial year

The 2008–09 Operating Account includes a charge of £936 000 in respect of new leavers identified in 2008–09 (£796 000 in 2007–08). This charge to the Operating Account reflects the costs of leavers identified and confirmed by 31 March 2009 up to their normal retirement age.

4 Other operating charges

	2008–09 £'000	2007–08 £'000
Included in other operating charges are:		
Staff travel and subsistence	2 639	2 265
Research and development	540	467
Operating lease charges		
– equipment and vehicles	1 189	1 878
– land and buildings	367	553
Auditors' remuneration and expenses – Audit services	70	67
Auditors' remuneration and expenses – Other services	28	12

5 Interest receivable and payable

	2008-09 £'000	2007-08 £'000
Interest receivable		
Balances at the account with HM Paymaster	123	167
Short-term deposits with the National Loans Fund	1 839	1 975
Other	–	–
	<u>1 962</u>	<u>2 142</u>
Interest payable		
On deemed loans	(312)	(338)
Financing charge – unwind of provision discounts (Note 12.1)	(592)	(510)
Other	–	(6)
	<u>(904)</u>	<u>(854)</u>
Net interest	<u>1 058</u>	<u>1 288</u>

6 Dividend payable

The current Framework Document determines that Ordnance Survey should calculate its net operating surplus for the year after application of interest charges and either retain the surplus in the business or pay dividends on Public Dividend Capital in proportions to be agreed by the responsible Minister.

£3 713 000 was paid in 2008–09 in respect to the results for 2007–08. The amount payable for 2008–09 is £4 832 000 and full provision is included in these accounts as it represents a liability at the balance sheet date (see Note 11).

7 Fixed assets

7.1 Intangible fixed assets

	£'000
Cost or valuation	
At 1 April 2008	2 637
Additions	73
Disposals	–
Revaluation	15
At 31 March 2009	<u>2 725</u>
Amortisation	
At 1 April 2008	2 405
Charged in year	52
Disposals	–
Revaluation	6
At 31 March 2009	<u>2 463</u>
Net book value	
At 1 April 2008	232
At 31 March 2009	<u>262</u>

The net book value of intangible fixed assets according to the historical cost accounting rules at 31 March 2009 is £252 000 (£232 000 at 31 March 2008).

7.2 Tangible fixed assets

	Freehold land and buildings £'000	Equipment, facilities and fixtures £'000	Vehicles £'000	Assets under construction £'000	Total £'000
Cost or valuation					
At 1 April 2008	19 160	39 233	185	31 718	90 296
Additions	6 738	2 927	–	12 676	22 341
Disposals	–	(1 737)	(76)	–	(1 813)
Revaluation	(5 722)	450	–	–	(5 272)
At 31 March 2009	20 176	40 873	109	44 394	105 552
Depreciation					
At 1 April 2008	1 351	30 190	182	–	31 723
Charged in year	437	2 655	3	–	3 095
Disposals	–	(1 729)	(76)	–	(1 805)
Revaluation	–	192	–	–	192
At 31 March 2009	1 788	31 308	109	–	33 205
Net book value					
At 1 April 2008	17 809	9 043	3	31 718	58 573
At 31 March 2009	18 388	9 565	0	44 394	72 347

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

Freehold land and buildings

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

The occupied land and buildings used in the principal business of Ordnance Survey are carried at the existing use value (EUV) of £11 650 000 assessed by King Sturge LLP on 31 March 2009. This is the required basis of valuation under United Kingdom Generally Accepted Accounting Principles (UK GAAP) as interpreted for government. This valuation is based on the continued use of the land and buildings in the core Ordnance Survey business and does not take into account any future cash flows to Ordnance Survey as a result of their ultimate disposal.

During the financial year 2006–07 a contract was signed with Kier Property Development Limited to legally dispose of the

occupied land and buildings, conditionally on planning permission being granted for development of the new head office at Adanac Park. Planning permission was achieved during 2008–09 and construction had commenced by 31 March 2009; new build costs incurred to date are included within Assets under Construction. Therefore the contract to dispose of the existing freehold land and buildings became unconditional during the year.

This legally binding commitment with Kier Property Development Limited means that Ordnance Survey will dispose of the freehold land and buildings in 2010, with the final proceeds being dependent on the planning permission granted. The contracted price based on projected planning permission is £15 700 000 net of selling costs. It is therefore the opinion of the directors that the value of the freehold land and buildings to Ordnance Survey is significantly higher than EUV.

Assets under construction

Assets under construction at 31 March 2009 total £44 394 000 and relate to the development of an integrated data capture, storage and maintenance infrastructure, along with expenditure on the construction of the new head office.

Historical cost analysis

The net book value of fixed assets determined according to the historical cost accounting rules is as follows:

	Freehold land and buildings	Equipment, facilities and fixtures (includes assets under construction)	Vehicles	Total
	£'000	£'000	£'000	£'000
Net book value				
At 31 March 2008	7 410	40 768	4	48 182
At 31 March 2009	13 510	53 795	0	67 305

7.3 Fixed asset investments – property

	2008–09	2007–08
	£'000	£'000
Balance at 1 April	8 520	8 660
Revaluation in the year	(4 325)	(140)
Balance at 31 March	4 195	8 520

An external valuation was performed by King Sturge LLP at 31 March 2009. The basis of the valuation is open market value as required by SSAP19 and the amount of the valuation is £4 195 000. The value of the fixed asset investments determined according to the historical cost accounting rules is £846 000.

As detailed in note 7.2, a contract to dispose of the investment property along with the freehold land and buildings became unconditional during the year. The investment property has a contracted value of £8 650 000 net of selling costs.

8 Other investments – PointX Limited

PointX Limited is a joint venture company set up to develop and market a points of interest database covering Great Britain. Ordnance Survey is represented on the Board by two Directors at 31 March 2009. At 31 March 2009 Ordnance Survey owned 50% of the total shares in PointX, being 500 (100%) £1 'A' ordinary shares. Another investor owned the remaining 500 'B' ordinary shares. All shares were ranked equally.

In the year ended 31 March 2009 PointX had turnover of £562 000 (2007–08 £799 000) and expenditure of £812 000 (2007–08 £782 000), with no tax charge being required due to the availability of tax losses. Ordnance Survey's 50% share of

the net loss is therefore £125 000 (£8 000 profit in 2007–08). This has been offset by releasing an existing provision of £165 000, which the directors believe is no longer required due to PointX's improving trading position.

An interest-free loan was agreed on 30 March 2001. £689 600 was drawn down by 31 March 2008, with no further amounts utilised in 2008–09. The amount drawn down is included on the Balance Sheet. The maximum agreed loan is £750 000.

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

As at 31st March 2009 Ordnance Survey's share of the net liabilities of PointX, totalling £20 000, is included within Other Provisions, detailed in Note 12.2. (In 2007–08 Ordnance Survey's share of the net assets of PointX is included within fixed asset investments.)

The investment in PointX at 31 March is as follows:

	2008–09	2007–08
	£'000	£'000
Share of gross assets	184	271
Share of gross liabilities	(894)	(856)
Loan	690	690
Less amount included in other provisions	20	–
	–	105

9 Stocks and work-in-progress

	2008–09	2007–08
	£'000	£'000
Finished goods	1 330	1 491
Work-in-progress	239	398
	<u>1 569</u>	<u>1 889</u>

10.1 Debtors

	2008–09	2007–08
	£'000	£'000
Amounts falling due within one year:		
Trade debtors (see also Note 1.8)	10 831	10 082
Accrued income	4 238	4 878
Other debtors	1 852	313
	<u>16 921</u>	<u>15 273</u>
Amounts falling due over one year:		
Other debtors	–	34
	<u>16 921</u>	<u>15 307</u>

Notes:

- (a) The trade debtors balance is shown after a provision of £876 000 (2007–08: £488 000). Bad Debts totalling £31 000 were written off in 2008–09 (£57 000 in 2007–08).
- (b) One balance receivable was owed by an Executive Director at year end (£750).
- (c) The other debtors balance at 31 March 2009 includes a tenancy deposit of £174 000 (£169 000 in 2007–08) held in connection with securing an investment property lease in the previous financial year (see Note 2.2).

10.2 Prepayments

	2008–09	2007–08
	£'000	£'000
Prepayments	2 791	1 794
Other prepayments due over one year	167	49
	<u>2 958</u>	<u>1 843</u>

11.1 Creditors

	2008–09	2007–08
	£'000	£'000
Amounts falling due within one year:		
Government loans (Note 11.2)	214	481
Trade creditors	1 654	3 087
Taxation and social security	1 140	1 005
Other creditors	1 189	872
Accruals	7 676	6 584
Deferred income	8 049	6 735
Dividend payable (Note 6)	4 832	3 713
Early release cost provision (Note 12)	2 591	3 034
	<u>27 345</u>	<u>25 511</u>

11.2 Creditors

Amounts falling due after one year:

	2008–09	2007–08
	£'000	£'000 (as restated)*
Deferred income	125	133
Loans repayable after one year	6 000	6 214
	<u>6 125</u>	<u>6 347</u>

* See note 1.16

Loans repayable after one year:

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

	2008–09	2007–08
	£'000	£'000
Amounts repayable:		
In two to five years	6 000	6 214
After five years	–	–
	<u>6 000</u>	<u>6 214</u>

12 Provisions for liabilities and charges

12.1 Early release and pension commitments

	2008–09	2007–08
	£'000	£'000
Balance at 1 April	6 045	8 215
Transferred to short-term provision in the year	(409)	(267)
Less amounts falling due within one year (Note 11)	(2 591)	(3 034)
New provisions recognised in year (Note 3.3)	936	796
Element of new provisions paid in year	(253)	(175)
Unwinding of early release cost discounts. The unwinding of pension discounts represents a cash outflow realised on payment of early release cost provisions discounted for the time value of money (Note 1.10)	592	510
	<u>4 320</u>	<u>6 045</u>
The above amount is estimated as falling due as follows:	£'000	
2010–11	1 813	
2011–12	1 298	
2012–13	775	
2013–19	434	
	<u>4 320</u>	
	166	220
	<u>4 486</u>	<u>6 265</u>

There has been no change in the year to the discount factor applied for early release commitments, which has remained at 2.2% in accordance with HM Treasury guidance.

The other provisions balance includes an amount for onerous leases as a result of regional office closures of £146 000 (£54 000 in 2007–08), which covers residual commitments to lease expiry, after application of a risk-factored allowance for anticipated sublet rental income, together with other sundry provisions.

As at 31 March 2009, Ordnance Survey's share of the net liabilities of PointX totalling £20 000 is included within Other Provisions. (In 2007–08 Ordnance Survey's share of the net assets of PointX is included within fixed asset investments.)

13 Reserves

13.1 Reconciliation of movements in general reserve

	2008–09	2007–08
	£'000	£'000
At 1 April	43 645	23 367
Surplus for the year	12 505	20 123
Early release costs	0	4
Revaluation reserves transfer (Note 13.2)	82	151
At 31 March	<u>56 232</u>	<u>43 645</u>

13.2 Revaluation reserves 2008–09

	2008–09	2007–08
	£'000	£'000
At 1 April	18 065	17 943
Arising on revaluation during the year (net) analysed below	(9 582)	226
Net revaluation losses realised in operating account on disposal of fixed assets	–	47
General reserve transfer – plant and machinery depreciation charge difference in year on revalued cost basis compared to historic basis on disposal of fixed assets	(82)	–
General reserve transfer – freehold buildings depreciation charge difference in year on revalued cost basis compared to historic basis	–	(151)
At 31 March	<u>8 401</u>	<u>18 065</u>
Net reserve movements in the year		
Tangible and intangible fixed assets	(5 257)	366
Investment assets	(4 325)	(140)
	<u>(9 582)</u>	<u>226</u>

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

Net book value at 31 March 2009	Revalued £'000	Historic £'000	Difference £'000
Intangible fixed assets (Note 7.1)	262	252	10
Tangible fixed assets (Note 7.2)	72 347	67 305	5 042
Investment assets (Note 7.3)	4 195	846	3 349
			<u>8 401</u>

14 Cash flow statement

14.1 Cash at bank and in hand

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

	2008–09 £'000	2007–08 £'000
Balance held at Paymaster General's Office	1 134	1 392
Balance held in commercial banks and cash in hand	203	672
	<u>1 337</u>	<u>2 064</u>

14.2 Cash flow from operating activities

	Note	2008–09 £'000	2007–08 £'000
Reconciliation of operating surplus for the period to net cash flow from operating activities			
Operating surplus on ordinary activities before interest and dividend		16 279	22 548
Depreciation/amortisation	7	3 345	4 781
Share of PointX loss/(profit)	8	125	(8)
(Profit)/Loss on disposal of fixed assets		(15)	67
Decrease/(increase) in stocks	9	320	(286)
Increase in debtors/prepayments	10	(2 805)	(353)
Decrease in prefunded early release cost commitments	10	24	25
(Decrease)/increase in creditors	11	(2 893)	1 523
Early release cost adjustment	13.1	–	4
Decrease in provisions for liabilities and charges over one year	12	(1 779)	(2 032)
Net cash inflow from operating activities		<u>12 601</u>	<u>26 269</u>

14.3 Reconciliation of net cash flow to movement in net funds

	Note	2008–09 £'000	2007–08 £'000
Decrease in cash in the year	14.4	(727)	(573)
Cash outflow from decrease in debt financing	14.4	481	593
Cash (inflow)/outflow from (decrease)/increase in liquid resources	23	(8 300)	12 500
Changes in net funds resulting from cash flows		(8 546)	12 520
Exchange differences	14.4	–	–
Increase in net funds in the year		(8 546)	12 520
Net funds at 1 April		20 669	8 149
Net funds at 31 March		<u>12 123</u>	<u>20 669</u>

14.4 Analysis of net funds

	Note	At 1 April 2008 £'000	Cash flow £'000	Exchange Movement £'000	At 31 March 2009 £'000
Cash at bank and in hand	14.1	2 064	(727)	–	1 337
Debt due after 1 year	11.2	(6 214)	214	–	(6 000)
Debt due within 1 year	11.1	(481)	267	–	(214)
Liquid resources – Cash on deposit	23	25 300	(8 300)	–	17 000
Net funds		20 669	(8 546)	–	12 123

15 Gross cash flows

15.1 Financing charges and income

	2008–09 £'000	2007–08 £'000
Interest received	2 033	2 101
Interest paid	(312)	(344)
Net interest	1 721	1 757

15.2 Capital expenditure

	2008–09 £'000	2007–08 £'000
Payments to acquire fixed assets	(18 586)	(10 424)
Receipts from sales of tangible fixed assets	23	38
Net capital expenditure	(18 563)	(10 386)

16 Financial commitments

Capital expenditure contracted for but not provided in the accounts amounts to £35.6 million (2007–08: £0.1 million). The outstanding commitments include £31.3 million which relates to the build cost of a new head office. This will be financed largely by the disposal of freehold land and buildings and investment property currently held by Ordnance Survey and partly by cash. A further £4.3 million has been contracted in relation to the continued improvement of Ordnance Survey data capture, storage and maintenance infrastructure.

17 Operating lease commitments

At 31 March 2009 Ordnance Survey had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	2008-09	2007-08	2008-09	2007-08
Expiring:	£'000	£'000	£'000	£'000
Within one year	102	168	394	238
Between two and five years	47	43	1 033	687
After five years	–	–	–	–

18 Related party transactions

Ordnance Survey is a non-ministerial government department operating as a Trading Fund and is also an Executive Agency. In the course of its normal business Ordnance Survey provides mapping data and licences to both the private and public sectors. During the year Ordnance Survey has had a significant number of material transactions with other government departments and central government bodies. Most of these transactions have been with the Department for Communities and Local Government, HM Land Registry, NHS (England), the Department for the Environment, Food and Rural Affairs, the Ministry of Defence and Defence Agencies, and with the Scottish Office and its Agencies. Rental income was also received from HM Revenue and Customs (see Note 2.2).

Ordnance Survey had material transactions with HM Revenue and Customs (HMRC) and Department for Work and Pensions (DWP) for payment of rents and service charges where Ordnance Survey occupies accommodation in buildings for which HMRC or DWP is the major occupier.

As explained in Note 8, Ordnance Survey and PointX Limited are related parties. During the year Peter ter Haar and James Brayshaw were Directors of PointX Limited.

Ordnance Survey is a member of, and exercises significant influence over, the board of Little Explorers Nursery Limited, a non-profit-making company limited by guarantee. The company is run as a nursery for children of Ordnance Survey employees on its head office site. No material transactions occurred between Little Explorers Nursery Limited and Ordnance Survey during 2008-09.

Michael Sommers, a Non-Executive Director of Ordnance Survey, was a Non-Executive Director of the Department for Work and Pensions.

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

19 Contingent liabilities

There were no contingent liabilities at 31 March 2009.

20 Post balance sheet events

FRS 21 requires the date on which the accounts are authorised for issue to be disclosed. This is the date on which the certified financial statements are despatched by Ordnance Survey's management to be laid before the Houses of Parliament. The authorised date for issue is stated on the Audit Report.

21 Financial targets and results

The financial objective for the year 2008–09 was to achieve a trading surplus, before interest and dividends of at least £15.7 million (£14.6 million in 2007–08). The trading surplus achieved was £16.3 million (£22.5 million in 2007–08).

The financial objective of Ordnance Survey was to achieve a return on capital employed, averaged over the financial year 2008–09 of at least 6.0% in the form of a surplus on ordinary activities before interest (payable and receivable) and dividends expressed as a percentage of average capital employed. Capital employed is the Capital and Reserves, that is the total of the Public Dividend Capital, loans repayable after more than one year, the General Reserve and the Revaluation Reserves.

The operating surplus for the financial year 2008–09 represents an ROCE of 19.5% (31.3% in 2007–08). Capital employed includes deemed loans in both years.

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

22 Losses, special payments and gifts

- a In 2008–09 Ordnance Survey wrote off stock valued at £130 000 as a result of new editions of products and the consequential write-off of the obsolete stock they superseded (£94 000 in 2007–08).
- b Bad debt write-offs of £31 000 were incurred in the year (£57 000 in 2007–08).
- c Other costs falling into the category of losses, special payments and gifts were below the level, currently £250 000, at which they needed to be reported separately.

23 Financial instruments

Ordnance Survey's treasury operations are governed by the Ordnance Survey Trading Fund Order 1999, under the Government's Trading Fund Act 1973(a) as supplemented by the Framework Document 2004.

Ordnance Survey's financial instruments comprise cash deposits, and other items such as trade debtors, trade creditors, provisions and loans. The main purpose of these financial instruments is to finance Ordnance Survey's continuing operation.

Ordnance Survey's policies for managing risk are set to achieve compliance with the regulatory framework. Ordnance Survey follows Government Accounting rules, negotiating contracts with suppliers or contractors in sterling or major international currencies such as the euro. Ordnance Survey's policy during the year on routine transactional conversions between currencies (for example, the collection of receivables and the settlement of payables) remained that these should be effected at the relevant spot exchange rate.

Interest rate risk

Ordnance Survey finances its operations through retained profits and Government loans. Sums retained in the business but surplus to immediate requirements are deposited in a short-term floating rate interest-bearing account with the National Loans Fund.

Long-term loans have a fixed rate of interest of 4.75%.

Liquidity risk

Ordnance Survey has maintained short-term liquidity throughout the year by management of its cash deposits. Ordnance Survey may borrow such sums as it may require to meet its working capital needs and finance its capital investment programme. Borrowing for in-year fluctuations is subject to a temporary borrowing limit agreed with HM Treasury. Such loans if taken would normally be repayable in year.

Credit risk

Ordnance Survey is exposed to credit risk over a number of sectors. The Credit Policy has a deemed level of risk acceptance for commercial business and higher credit risks are subject to credit checking using external sources such as Dun & Bradstreet® and Experian®.

Generally, payment terms are 30 days from date of invoice in all areas except in the consumer sector, where payment terms of 60 or 90 days prevail.

Maximum credit exposure to credit risk as at 31 March 2009 was £11 531 000, of which £1 341 000 was due from public-sector organisations. Details of amounts provided against accounts receivable and movements to this provision are shown in Note 10.

Interest rate risk profile

The interest rate profile of Ordnance Survey's financial assets and liabilities at 31 March 2009 are set out below. All balances are held in sterling:

Financial assets	Fixed rate 31 March 2009 £'000	Fixed rate 31 March 2008 £'000	Floating rate 31 March 2009 £'000	Floating rate 31 March 2008 £'000	Total 31 March 2009 £'000	Total 31 March 2008 £'000
Cash at bank (Note 14.4)	–	–	1 337	2 064	1 337	2 064
Cash on deposit (Note 14.4)	–	–	17 000	25 300	17 000	25 300
Loan to PointX – Interest free (Note 8)	690	690	–	–	690	690

Cash on deposit at 31 March 2009 consists of seven short-term loans to the National Loans Fund for a weighted average period of 14 days at a weighted average interest rate of 0.58%.

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

Financial liabilities	Fixed rate 31 March 2009 £'000	Fixed rate 31 March 2008 £'000	Floating rate 31 March 2009 £'000	Floating rate 31 March 2008 £'000	Total 31 March 2009 £'000	Total 31 March 2008 £'000
Government loans (Note 14.4)	6 214	6 695	–	–	6 214	6 695

All loans and cash balances are considered to be at fair value with no material differences, with the exception of the loan to PointX Limited, which is considered to be at minimal value.

24 Intra-government balances

	Debtors and prepayments: amounts falling due within one year	Debtors and prepayments: amounts falling due after more than one year	Creditors: amounts falling due within one year	Creditors: amounts falling due after more than one year
	(Note 10.1 and Note 10.2)	(Note 10.1 and Note 10.2)	(Note 11.1)	(Note 11.2)
Balances with:	£'000	£'000	£'000	£'000
Other central government bodies	2 124	–	(11 105)	(6 000)
Local authorities	1 582	–	(1 501)	–
NHS trusts	281	–	(174)	–
Public corporations and Trading Funds	98	–	(178)	–
Bodies external to government	15 627	167	(14 387)	(125)
At 31 March 2009	19 712	167	(27 345)	(6 125)

HM Treasury minute dated 20 March 2008

1. Section 4(1) of the Government Trading Funds Act 1973 ('the 1973 Act') provides that a trading fund established under that Act shall be under the control and management of the responsible Minister and, in the discharge of his function in relation to the fund, it shall be the Minister's duty:
 - (a) to manage the funded operations so that the revenue of the fund:
 - (i) consists principally of receipts in respect of goods or services provided in the course of the funded operations; and
 - (ii) is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account; and
 - (b) to achieve such further financial objectives as the Treasury may from time to time, by Minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.
2. A trading fund for Ordnance Survey was established on 1 April 1999 under the Ordnance Survey Trading Fund Order 1999 (SI 1999 No. 965).
3. The Secretary of State for Communities and Local Government, being the responsible Minister for the purposes of section 4(1)(a) of the 1973 Act, has determined (with Treasury concurrence) that a further financial objective desirable of achievement by the Ordnance Survey Trading Fund for the 3-year period from 1 April 2007 to 31 March 2010 shall be to achieve a return of 5.5% for the financial year to 31 March 2008, 6.0% for the financial year to 31 March 2009 and 6.5% for the financial year to 31 March 2010, in the form of a surplus on ordinary activities before interest (payable and receivable) and dividends expressed as a percentage of average capital employed. Capital employed shall be the Capital and Reserves, that is, the total of the Public Dividend Capital, loans repayable after more than one year, the General Reserve and the Revaluation Reserves.
4. This minute supersedes that dated 15th January 2004.
5. Let a copy of this Minute be laid before the House of Commons pursuant to section 4(1)(b) of the Government Trading Funds Act 1973.

Application programming interface (API) – an interface used for accessing an application or a service from a computer program.

Geodetic – relating to the scientific discipline that deals with the precise measurement and representation of the Earth, its gravitational field and other related phenomena.

Geographic information – information about objects or phenomena associated with a location relative to the surface of the Earth.

GeoVation – is a new online social portal where geographic data and innovative thinkers can come together for the benefit of developers, entrepreneurs, website owners and end-users. Through GeoVation, Ordnance Survey for the first time will offer public access to its digital mapping products for people developing new ideas that need geographic data. It will enable anyone interested in innovating with geographic data to share, debate and explore new ways to turn their ideas into reality.

Global Positioning System – a ‘constellation’ of satellites that orbit the Earth and make it possible for people with ground receivers to pinpoint their geographic location.

Ordnance Survey’s geographic data – the set of data assets we collect and maintain from which we license products (previously referred to as the National Geographic Database).

OS MasterMap – our most detailed information, containing more than 460 million uniquely identified geographic features down to individual address and building level. It is continually updated as a consistent and maintained framework for the referencing of geographic information in Great Britain. OS MasterMap is available in the following data layers: Topography, Address and Address 2, Imagery and Integrated Transport Network. Customers choose how to access OS MasterMap data by area, layer or theme.

OS OpenSpace – is an application programming interface (API) that supports the creation of dynamic mapping applications that can be embedded on your website.

Slippy map technology – ‘a “slippy map” is type of web-browser-based map client that allows you to dynamically pan the map simply by grabbing and sliding the map image in any direction. Modern web browsers allow dynamic loading of map tiles in response to user action without requiring a page reload. This dynamic effect makes map viewing more intuitive.

Topography – the surface, shape and composition of the landscape, comprising both natural and artificial features.





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Customer Service Centre

Ordnance Survey

Romsey Road

SOUTHAMPTON

SO16 4GU

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