

ANNUAL REPORT & ACCOUNTS 2013-14



Ordnance Survey Annual Report and Accounts 2013–14

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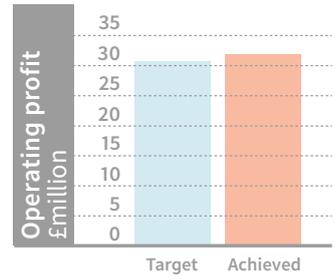
HIGHLIGHTS OF THE YEAR

Business performance is measured against six targets (Agency performance measures) set by government. Each of the targets were achieved in 2013–14.

Agency performance measures

Operating profit

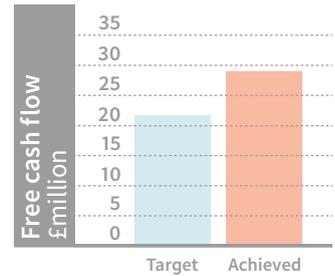
To achieve an operating profit before interest, exceptional items and dividends of £31.1 million. **Actual performance: £32.0 million.**



Free cash flow

To achieve free cash flows of £21.4 million. **Actual performance: £28.8 million.**

Free cash represents cash flows after capital project payments, but before the payment of dividends, exceptional items and long-term loan repayments.



Data currency

To ensure that 99.6% of significant real-world features greater than six months old are represented in Ordnance Survey’s geographic data.

Actual performance: 99.9%.

Completeness of the database is measured through monthly audit samples carried out independently from the survey activity. The results are verified and collated to calculate the annual measure.



Efficiency

To achieve cumulative operating cost reductions of 25% from 2008–09.

Actual performance: 28.8%.

Efficiency is calculated against a baseline of 2008–09 operating costs adjusted for inflation in each subsequent financial year.



Customer experience

The customer experience index is the standard to ensure that the customer experience is at the heart of everything we do. The index targets two areas of the customer experience:

a. Customer satisfaction (external measure)

This includes a net promoter score (a customer’s likelihood to recommend our products and services to others); and a customer satisfaction index.

b. Customer service responsiveness (internal measure)

The key performance indicators measure the timeliness of specific operational activities.

The combined target for these two measures is 80%. **Actual performance: 95%.**



Innovation

To achieve an innovation index of 80.

Actual performance: 111.

The index is based on a series of metrics that are used to measure innovation. These include the number of new products launched, the utilisation of our idea management system, the number of projects completed by our in-house development team OS Labs and the use of both OS OpenSpace® and OS OpenData™.



CHAIRMAN'S STATEMENT



We are at the outset of a period of real opportunity for Ordnance Survey as we add platform and solution products and services to a well-established content business. We have for many years provided detailed geospatial information to government and to business to improve decision making, drive growth and

deliver efficiencies, but our commercial and public sector customers expect us to support them in finding additional value as they identify new uses for bespoke geospatial content. Reliable information about location has become a vital element of most business activity, so we are embarked on a course which will move our business and that of our customers to higher levels, offering customised solutions to access previously untapped sources of value and efficiency.

As we improve our offer to our commercial and public sector customers, we are also rapidly updating our consumer offer and I am particularly pleased to report the successful launch of our three 'apps', OS MapFinder®, OS Locate™ and OS Ride™. We are committed to delivering quality Ordnance Survey mapping to web and mobile devices in ways that consumers want to receive it, so there is more to come.

I would also like to acknowledge our commercial partners who provide Ordnance Survey an essential route to market. We believe that an effective partner programme compliments our solutions, products and services strategy perfectly and we will be extending and expanding existing relationships as we look to find new ways of working together.

We constantly strive to find innovative ways of using geospatial information to add value wherever we can,

as we believe that it is important for the British economy and the geospatial sector that Ordnance Survey remains at the forefront of a rapidly developing industry. As we look at new ways of doing business, the Ordnance Survey Strategy Board, supported by the Department for Business, Innovation and Skills (BIS), is considering whether a transfer of our business from a Trading Fund to a Government-owned Company (GovCo) would be beneficial. If a change in status were to happen, the Government would retain a 100% ownership of the GovCo – but it may enable the business to become more responsive and flexible in its rapidly changing markets. We expect to conclude one way or another on this potential change in the first half of the current year.

Responding to market changes and maintaining the profitability of Ordnance Survey would not be possible without the commitment of our staff and, as always, my thanks go to them for all their hard work. They made Ordnance Survey the pioneer of digital cartography and they continue to make it a world leader in geographic innovation today, thanks to the unrivalled, multi-functional OS MasterMap®. This success story, over the last fourteen years, has been achieved under the leadership of Dr Vanessa Lawrence CB. As she steps down as our Director General and Chief Executive, I offer her my sincere thanks and I am delighted that she has agreed to continue to work for us for a while in a different role, as Secretary General for Ordnance Survey International LLP.

We have a challenging year ahead as we refresh our business model, modernise our brand, continue to invest in new content, capability and technology and as we build our solutions business. I am looking forward to new successes coming from new opportunity.

A handwritten signature in black ink that reads "Rob Margetts". The signature is written in a cursive, slightly slanted style.

Sir Rob Margetts CBE
Non-Executive Chairman

STRATEGIC REPORT

Business model

Ordnance Survey is the national mapping authority of Great Britain and is a non-ministerial government department with Executive Agency status, reporting to Parliament through Ministers in the Department for Business Innovation and Skills (BIS). Operating as a Trading Fund, Ordnance Survey is required to fund its operations from its own revenue and deliver a return to government, as set out in the HM Treasury Minute reproduced at the end of this Annual Report. The Board of Ordnance Survey, supported by its government shareholder is examining the most effective long-term legal status for Ordnance Survey and this is discussed on page 23.

Ordnance Survey collects, maintains and distributes accurate and up-to-date geographic information (GI) for Great Britain. This data is relied upon by government, business and individuals. Through its subsidiary company, Ordnance Survey International LLP, Ordnance Survey also advises other national mapping agencies.

The majority of revenue is generated through licensing the intellectual property rights, held under Crown copyright, which is inherent in the GI. Since April 2010, free and unrestricted access to a large range of mapping has been provided to any prospective user via OS OpenData, a service that underpins a range of applications, whilst promoting government transparency and encouraging greater use of GI.

Strategy and objectives

The markets which Ordnance Survey serves are developing rapidly, driven by technological innovation and social change. Customers in all markets (government, business and consumer) continually seek more for less: they seek additional attribution in the data, higher currency and accuracy, but against a backdrop of tight cost control. Growth in 2013–14 has been based on sustaining and developing core markets while innovating in new markets and this will continue to be our strategy in coming years. The cornerstones of long-term growth are as follows:

- **Growth** of profitable revenue: understanding our customers' business problems and providing information, solutions, applications and services that deliver the outcomes they want.
- Provide more **value**: helping customers derive more benefit from GI, while improving our own margins to enable future investment and return more value to our government shareholder.
- **Innovation**: balancing the investment portfolio between

sustaining technologies and disruptive technologies to support future growth and value.

- Improving **customer** service: becoming easier to do business with, delivering outstanding customer service and improving our understanding of diverse customer needs.
- Building our **expertise**: developing a team of people who are confident in their capabilities, proud of their contribution, clear about their purpose and who learn quickly from any mistakes.

Developing new markets with improved data offerings and an expanded service and solution portfolio is the foundation upon which sustained growth will be built. Achieving this whilst continuously improving core infrastructure and data collection will challenge the organisation, but this is an objective which excites and stimulates our highly talented team. Excellence underpins the brand and, in turn, it underpins the international proposition.

Our strategy and objectives are converted into financial targets to grow revenue, EBITDA and dividends, whilst preserving cash reserves to fund future investment.

Business review

Meeting the challenge of a changing market place

The wealth of information captured and managed by Ordnance Survey is extraordinary. As part of our role collecting and maintaining the nation's geospatial database, we hold data on 460 million unique geographic features and make 10,000 updates every day. However, we are more than a surveying organisation – we also offer services and solutions in response to market demands to meet the changing needs of our diverse range of customers.

In 2013–14 we faced a number of challenges. The government's economic austerity policies meant we had to find savings and increased efficiencies. Within the consumer sector, the customer preference for a digitally delivered mobile and interactive experience continued to put pressure on the retail market for our paper products.

We have taken on the challenge of the changing market place and sought out new opportunities, and have demonstrated the value of our map data to government. The Public Sector Mapping Agreement (PSMA) and One Scotland Mapping Agreement (OSMA) have been vital to effective decision making, policy implementation and front-line public service delivery and monitoring. We have also successfully maintained our business to business

revenues and our paper maps continue to outperform the competition.

Growth

Location data is a critical tool for businesses across Great Britain. Ordnance Survey data is not just being used to support and underpin products and services, it is now providing vital insight and intelligence to help businesses grow.

Helping businesses work with location data

Ordnance Survey has a world renowned reputation for the quality and accuracy of its geospatial information and for several years our data has been used by business and government to underpin decision making, drive growth and deliver efficiencies. For many years we have been asked to provide value adding services and solutions in addition to our range of digital products. This demand has risen substantially in recent years with many customers asking for our direct assistance. In response we have now created a new GeoIntelligence group, which works with customers to deliver value added services and bespoke solutions built around spatial data.

New agreement with Openreach

We have recently concluded a new £23 million, five-year agreement with Openreach® (a part of BT® Group) to supply them with premium datasets including the OS MasterMap Topography Layer, OS MasterMap Integrated Transport Network™ Layer, OS VectorMap® Local and 1:50 000 Scale Colour Raster. The agreement also includes a range of addressing solutions providing an intelligent suite of products to support operational and insight work. We will also be providing expertise and technical advice to Openreach on a number of other projects.

Our partner network

Partners now contribute more than £22 million per annum to Ordnance Survey turnover with new partners accounting for more than £2.5 million. In 2013–14 we entered into 25 new partnerships with organisations around the world, bringing the total number of partner organisations to over 300.

New partners provide a range of services to both the consumer and business markets and will contribute to the growing revenue from this channel during the coming year. They deliver new types of services including data streaming and analytics, covering a wide variety of specialist applications and markets.

Business to business

The energy and infrastructure and land and property sectors accounted for the majority of our private sector revenue in 2013–14. Even with an upward trend in the land and property market, the total number of commercial and residential transactions remains relatively stable. A greater understanding of the market and its business requirements allowed us to help our partners to create specific solutions.

Development within the insurance sector continued with further expansion into the mid-tier of general insurance providers, as well as a strong focus on the top ten. Our data supports property level risk assessment, and has been particularly relevant given the flooding this year.

We continue to develop our services for the banking sector, formalising market sizing and proposition activities with detailed research and business development activities. These focused on managing portfolio accumulation and risk, big data, customer and fraud analytics, and catchment area planning – including competitor and branch location optimisation.

Expanding portfolio of mobile apps

Our apps have contributed to a 25% year-on-year growth in digital consumer products. During the year, we launched an Android® version of OS MapFinder, which now also includes National Park ‘bundle’ purchase options. Two more apps were also released: OS Locate, which pinpoints locations for outdoor activities, and OS Ride, a free cycling app which features the routes of professional cycle races.



Chris Boardman said, ‘This app is a must for any keen road cyclist, with unrivalled mapping accuracy’.

New agreement with Bahrain

Ordnance Survey's international reputation was cemented in 2013 through two international conferences and the continued growth of Ordnance Survey International LLP.

A new five-year Specialist Advisory Framework Agreement with the Survey and Land Registration Bureau (SLRB) of the Kingdom of Bahrain has provided Ordnance Survey International with an opportunity to collaborate on a number of projects. The first is the development of a new long-term strategy to support SLRB in continuing to develop its role as the authoritative cadastral and mapping authority for Kingdom of Bahrain. A project to begin the development of a national 3D spatial data model was completed in 2013.

Value

We strive to deliver efficiencies for our public sector and business partners, and underpin citizen services with effective planning data.

Increased PSMA and OSMA membership

Within the public sector, the value and understanding of locational context in front-line public service delivery grew through increasing use of the PSMA and OSMA. More than 3,360 public sector organisations have now registered for the PSMA – 533 joined in 2013–14. These include local authorities, district councils, parish councils, national park authorities, and the emergency services. They have all benefited from using our products to increase efficiency, optimise resources and help reduce costs. In April 2013, the OSMA was renewed for another 5 years. In addition, we entered into a Memorandum of Understanding (MOU) with Scottish Government to ensure that a new long-term strategic framework is delivered to take advantage of the new products and services Ordnance Survey offers. The MOU establishes Ordnance Survey as an adviser to Scottish Government on geographic matters. Collaborations will primarily focus on data management initiatives such as GreenSpace Scotland and the Detailed Scottish Rivers Network.

Response to winter flooding

The value of our data and products, and the expertise of our staff in times of national emergency, were proven once more with the severe flooding that affected many parts of southern England early in 2014. Responding to requests from government and the emergency services, our Pre and Post-Sales Support team provided bespoke data, mapping, knowledge and advice on the affected areas. This support

continues as part of the Flood Recovery Programme, which provides analysis, mapping impact, and compensation to those affected by the flooding. OS OnDemand, Ordnance Survey's online map service, was also a valuable asset to the Environment Agency® during the flooding – providing millions of households and businesses with access to detailed flood mapping. In January 2014, the service saw 20 million interactions, rising to nearly 30 million in February 2014.

Resilience Direct

In March 2014, Resilience Direct – for which we provide the mapping service – went live. Created in response to increasing multi-agency demands to share data, collaborate in a crisis and by the need for a resilient document store, it provides a common system that enables timely, efficient and secure communication and exchange of information.

PSMA case studies

During the year, 42 new case studies were created showing the value and benefit that public sector organisations are receiving from our map data under the PSMA. We now have 152 case studies available that demonstrate savings of circa £45.5 million.

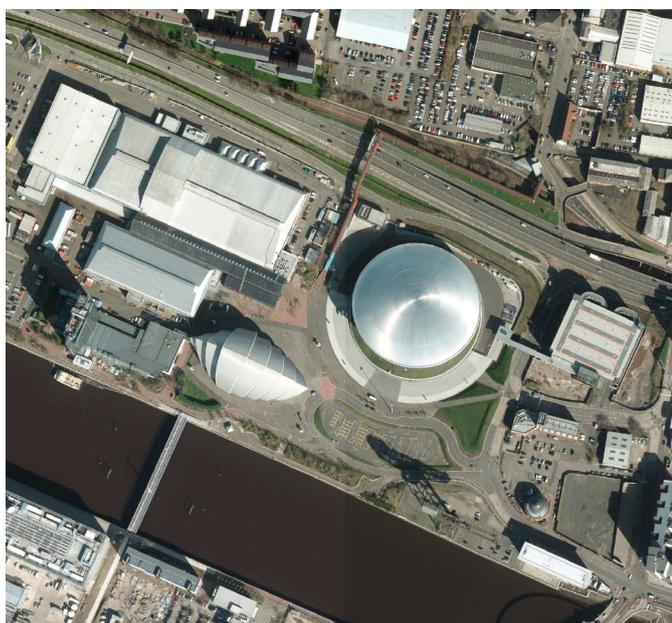
Mapping Scotland's watercourses

Released in 2013, the OS MasterMap Networks – Water Layer will be used to improve scientific understanding of water flows and water quality reporting under the statutory EU Water Framework Directive. This addition to the OS MasterMap portfolio currently maps watercourses across Scotland, including the highlands and islands, to help local authorities manage flood risk effectively and reduce the impact of flooding incidents. The data is designed to be used with other layers for detailed analysis and planning.

Glasgow 2014 Commonwealth Games

Authoritative, maintained and managed geospatial information is now firmly recognised as an essential part of the infrastructure required to deliver a safe and secure major event. During the London 2012 Olympic and Paralympic Games, Ordnance Survey, in conjunction with cross government stakeholders, set a new standard in how geospatial information is used. Ordnance Survey is now using this expertise and experience for the benefit of the 2014 Commonwealth Games, which will be hosted in the City of Glasgow. Whilst our standard products meet many of the requirements, additional data also needs to be collected and delivered for the specific needs of the police and security community. We have put in place a Games-specific

programme of data collection across an area of 410 km² to ensure that our products are updated on a very regular basis and that this content is delivered to our customers. We are also providing additional support to ensure this data is managed effectively, so it flows through to end products and applications so that all stakeholders are working from the same common operating picture. We are proud to be working with the Glasgow 2014 Organising Committee, Glasgow City Council and Scottish Government as well as around 20 Scottish and UK public sector bodies to support their mission of delivering a successful, safe and secure Games.



Ordnance Survey is now using its expertise and experience for the benefit of the 2014 Commonwealth Games.

Supporting the NHS

Since the introduction of The Health and Social Act 2013 more than 200 health organisations have joined the PSMA. With the creation of NHS[®] England, 211 Clinical Commissioning Groups (CCGs) and their 19 Commissioning Support Units (CSUs) there is now an emphasis on equal access to services, the use of high-quality intelligence and innovative solutions, as well as an increasing role for the private sector. This represents a significant opportunity for the wider adoption of PSMA data.

Around 115 out of 250 NHS Trusts are currently signed up to the PSMA, representing the majority of health sector membership. PSMA data is also embedded within the 999 systems of England and Wales' 11 Ambulance Trusts. Together with the new 111 service providers, they now have the opportunity to use AddressBase[®], which features the

definitive Unique Property Reference Number (UPRN) for sharing addresses between organisations.

As a result of these legislative changes, our engagement programme also focuses on working with Public Health England (PHE), as well as local authorities.

GeoPlace

Our joint venture with the Local Government Association to create and maintain the National Address Gazetteer and the National Street Gazetteer for England and Wales, has reached a significant milestone with 75% of PSMA members now migrated from legacy products to AddressBase. An increasing number of commercial organisations are also moving to the AddressBase products. These include public utilities and telecommunications companies, insurance companies and property surveyors, conveyancers and architects; with the future prospect of extending into the banking and retail sectors.

Major international mapping conferences hosted in the UK

Two major international conferences on mapping were held in Cambridge in Summer 2013, attracting senior leaders in the field of geospatial information from more than 100 countries.

The Cambridge Conference, long established as the premier meeting of senior executives from national mapping and cadastral authorities around the world, was followed by the Third Session of the United Nations Committee of Experts on Global Geospatial Information Management (UN-GGIM3). Co-Chaired by Dr Vanessa Lawrence CB, the UN-GGIM committee has been established as the official UN consultative group on place, locality and geography. It plays a leading role in setting the agenda for the development of global geospatial information, whilst promoting its use to meet key global challenges.

Innovation

To retain our position at the forefront of the industry, we are committed to investing in new products and services – from premium datasets such as OS MasterMap to freely available OS OpenData products.

Since April 2010 we have focused on delivering greater access and fostering innovation for both those that pay to use our data and those who access it free. As a result, high quality and professionally-maintained geographic data has never been more accessible or more widely used.

OS OpenData

OS OpenData supports the development of new products and services to aid the UK economy. Users range from small community groups and charities to large multi-national companies including Google® and Open Street Map®. In 2013–14, 49,248 orders were placed through the OS OpenData portal with 94.6% fulfilled using the download option. We received 189,650 orders for individual product items – OS VectorMap District and OS Street View® being the most popular.

We also continue to offer OS OpenData Masterclasses and have run more than 50 free sessions in the last three years. These were attended by more than 1,400 developers from community groups, SMEs and government departments.

New building height data

Customers using OS MasterMap Topography Layer can now access information on the heights of almost 20 million buildings. The alpha release of OS MasterMap Topography Layer – Building Height Attribute covers some 8,000 km² of Great Britain's major towns and cities providing additional generalised attributes on building heights. The data has a wide range of uses such as helping to plan 'right to light' policies and smart meter installation. Coverage will be enhanced in future releases.



The alpha release of OS MasterMap Topography Layer – Building Height Attribute covers some 8,000 km² of Great Britain.

GeoVation and developer challenge

During 2012–13, we awarded £101,000 to entrepreneurs to help turn their geo-app or a geo-location product ideas into reality. The winners of our GeoVation® Challenge – Ramblers Scotland, Pan Studio, Mapsum and Openplay –

demonstrated ways in which geography, technology and design-based innovations can encourage people to adopt active lifestyles.

Our 2012 winners, Staffordshire and West Midlands (SWM) Probation Trust launched a new app to help the public choose the Community Payback work carried out by offenders. 'Get Community Payback' works on all Android phones and allows users to take a photo of a 'grotspot' in their local area that needs work. The image, which is automatically geo-tagged giving it an exact geographic reference, is then sent directly to the local Probation Trust. When the work has been done, the app will automatically notify the person who suggested it and show a map with pictures and information about Community Payback projects in the locality.



The winners of Developer Challenge were granted annual Flex memberships at Tech Hub, one of the leading technology co-working communities in Great Britain.

Developers have also been given the opportunity to enter the Ordnance Survey Developer Challenge. The 2014 challenge, which recently concluded, awarded three innovative ventures with a full start-up business package and exclusive seats at Tech Hub for a year.

3D journey with OS Terrain

OS Terrain® 5 was launched this year to offer height data in both grid and contour formats that depicts the shape of

Great Britain's landscape. This Digital Terrain Model (DTM) adds a third dimension to analytical applications, such as flood risk assessment and infrastructure development. OS Terrain will be updated quarterly to ensure the latest data is available to users. The contour format features more than 2.3 million contour lines and 280,000 spot heights.

Minecraft

Covering more than 224,000 square kilometres, the Minecraft® GB terrain world was created by our Innovation Lab team and intern, Joseph Braybrook. It uses OS Terrain 50 and the raster version of OS VectorMap District, a mid-scale contextual map product. Players enter the virtual 3D world and can add their own recreations of real-life features – such as landmarks.

OS OpenSpace developer support for Android and iOS

Ongoing investment in OS OpenSpace, our popular online mapping service saw it support more than 2,500 personal, leisure and business websites in 2013. A set of integration tools enables its use by all technical abilities and includes a simple web wizard for novices, as well as the release of free Software Development Kits for Apple® (iOS) and Android for mobile application developers. The latter makes it easy for developers to add detailed Ordnance Survey maps to mobile applications and automatically enable access to OS OpenSpace and the OS OpenSpace Pro API.

Customer

Licensing – making it easier to use data

All our open data products and services have a clear migration path to premium datasets. To make this transition as easy as possible, we have introduced a Developer Licence under which large-scale data can be accessed and used free for up to 12 months. The aim is to allow users to develop, test and realise the business benefits of using detailed data.

Website and apps

To make it easier for customers to access online information, our new website has a responsive layout, which adapts to the screen size of devices. Improvements to our online shop, which now uses an open source platform, helped to increase sales over the Christmas period. An Android version of OS MapFinder was launched in 2013 together with two free apps for iOS – OS Locate for outdoor activities and OS Ride, which enables users to experience British stages of the Tour de France.

OS getamap

OS getamap™ is our online planning portal that allows visitors to view full GB coverage of our popular maps. The site attracts more than 130,000 visitors per month, with the average visitor spending more than 16 minutes planning and plotting routes. Visitors can either choose to create their own routes, or print one of the 300,000 routes, which other users have created on the site. OS getamap also contains more than 100,000 points of interest (including pubs, places to stay, attractions, history and heritage, and many more categories), the ability to view a five day weather forecast from the Met Office and the option to import and export routes to GPS devices. When a route has been plotted on the site, users can print off the map to take with them on their journey.

Paper products

The way in which consumers source, view, use and purchase mapping products and services is evolving. The traditional retail market faces ongoing pressures as digital delivery is increasingly the customer's channel of choice, although our paper maps remain the strong market leader in the walking map category. In 2013, our share of the walking paper map market was 95% – a drop of just 0.4% on 2012 figures (Source AC Nielsen).

Custom-made print maps

Sales of our customised maps more than doubled in the run up to Christmas 2013. Available as either OS Landranger Maps at 1:50 000 scale or OS Explorer Maps at 1:25 000 scale, these are created online and can be centred on a specific location. Customers can also personalise them with their own title and cover image.

Products and emergency mapping

Our new height product, OS Terrain is available through OS OpenData. We have also focused on helping customers migrate to AddressBase from our other addressing products. As a result of the flooding in early 2014, we responded to a number of Mapping for Emergency requests from local councils and emergency services.

Customer interactions

During the year, customer interactions increased by 15%. Email requests rose by 28%, due in part to the increased range of products and services and a growing customer base. The volume of phone calls continues to decline as people choose to contact us via email and social media. Customer complaints account for just 0.7% of interactions

through our Customer Contact Centre, although a broken link to our free downloadable wallpaper over the Christmas period contributed to an increase in complaints during 2013–14 – from 653 to 898.

Expertise

Developing our skills

To meet challenging business objectives, it is essential that we develop the capability of our employees. This is being achieved by refreshing our senior level succession plans, an accelerated development programme (Vista) and through our graduate recruitment and intern schemes.



Our 2013 intake from the graduate development and intern scheme.

Employee engagement

Our annual *Your Say* survey showed a continued increase in employee engagement, placing us in the top 10% of civil service organisations. We continue to target the key areas of leadership and managing change, *my work* and *my line manager* through our senior leader development programme and a series of change leadership focus groups. As well as a sense of pride in working for Ordnance Survey, the survey found that people had a strong personal attachment to the organisation with a significant increase in the number recommending it as a place to work.

Financial review

In 2013–14 we achieved growth in EBITDA of £0.8m (+1.7%) to £48.2m. Revenues have increased by £2.3m to £144.2m but total operating costs, while being closely managed, have increased by £3.2m, primarily as a result of increases in the depreciation charge and the effect of increasing activity in our subsidiaries and other entities.

We have generated an operating profit of £31.7m (2012–13: £32.3m) and exceeded our agency performance measure (APM) profit target, delivering APM profit of £32.0m, APM profit being calculated as operating profit adjusted for minority interests.

Our joint ventures returned a profit share of £3.3m (2012–13: £3.2m) and GeoPlace®LLP returned cash distributions of £4.1m.

In turn Ordnance Survey has paid a dividend to its shareholder of £19.4m.

	2013–14	2012–13	Variance	%age
Revenue	144.2	141.9	2.3	1.6%
Operating costs excluding depreciation	99.7	97.5	1.8	1.9%
EBITDA	48.2	47.4	0.8	1.7%
Depreciation, amortisation and impairment	16.5	15.1	1.4	9.3%
Profit attributable to PDC holders	32.1	31.5	0.6	1.9%
Dividend	19.4	20.4	-1.0	-4.9%
Net assets	158.4	145.1	13.4	9.2%

As described in *Highlights of the year*, Ordnance Survey is set annual performance measures (APMs), which have all been exceeded. The financial APMs are shown below.

	Result	Performance versus target
Operating profit	£32.0m	+ £0.9m
Free cash flow	£28.8m	+ £7.4m
Efficiency measure	28.8%	3.8%

The original operating profit target was reduced by £1.3m to take account of an exceptional increase in the depreciation charge during 2013–14 arising from the revaluation of our assets at 31 March 2013. This was a technical accounting adjustment, which has no impact on the underlying profitability of the business.

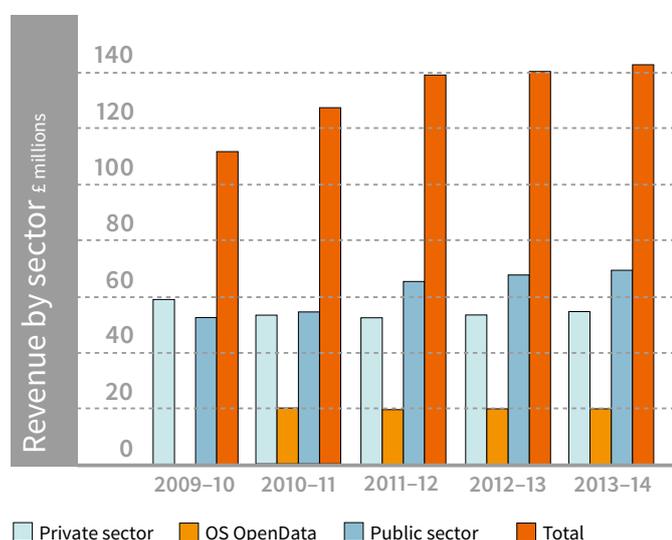
Revenue

Total revenue of £144.2m (2012–13: £141.9m) comprises trading revenue of £142.5m (2012–13: £140.2m) and non-trading revenue of £1.7m (2012–13: £1.6m) – principally cost recharges to GeoPlace LLP, a joint venture.

Business to government revenue has grown to £69.0m (2012–13: £68.0m) representing 48% of total revenue, although a further £20.0m is funded by Government under the OS OpenData agreement. Taking these two revenue streams together, business to government revenue accounts for 62% of all revenue.

Business to business revenues have grown to £44.5m (2012–13: £42.8m). This growth is primarily due to the success of our international business, Ordnance Survey International LLP, which has generated income of £1.3m from three contracts with Middle Eastern Governments.

Business to consumer revenues reduced from £9.5m to £9.0m, as a result of declining paper map sales, as consumers have moved to free Internet-based mapping. Our online consumer business, Ordnance Survey Leisure, continues to grow, largely due to its digital and mobile offerings, which it is targeting at these new markets.



Operating costs

Overall operating costs have increased from £112.9m to £115.8m. This is the result of the additional depreciation charge following asset revaluations at 1 April 2013, increased operating costs in our new subsidiary, Ordnance Survey International LLP, together with the costs of research carried out into new methods of remote data collection in our new subsidiary, Astigan Limited.

We have targeted to reduce the business recurring operating costs by 5% per annum in real terms, from a 2008–09 baseline, and the cumulative target of 25% has been exceeded by 3.8%.

Efficiency	2013-14	2012-13
Total operating costs	115.8	112.9
GeoPlace pass through	(10.2)	(9.9)
Depreciation and amortisation	(16.5)	(15.1)
Expensed investment programme	(8.7)	(8.1)
OS OpenData royalties	(2.5)	(2.5)
One-off costs	(0.1)	(0.4)
IT costs	(6.8)	(6.5)
Other new activities	(6.6)	(4.7)
Recurring running costs	64.5	65.7
Target	68.0	70.7
Reduction in recurring operating costs since 2008-09	28.8%	24.6%

Dividends

We have paid a dividend of £19.4m (2012–13: £20.4m) to our shareholder, the Government. Some £19.2m was paid in year and £0.2m is included within creditors: amounts falling due within one year.

Statement of financial position

Cash

Strong profitability and a prudent capital investment programme have resulted in a year end cash balance of £51.5m (2012–13: £40.8m) and free cash generation in year of £28.8m (2012–13: £34.2m).

Non-current assets

Our non-current assets are principally:

Explorer House – Our head office in Southampton was externally valued at £28.5m as at 31 March 2014 and a £0.4m impairment charge has been made in the Accounts to reflect a small diminution in the valuation.

GDMS – Our Geospatial Database Management System which sits at the hub of our business, collating all data from which products are derived. This was launched in 2011–12 and is expected to be fundamental to our operations for the foreseeable future.

Other entities

100% Subsidiaries

Ordnance Survey Leisure Limited (OSL)

OSL operates our online retail offering. We continue to see growth in this business, as consumers increasingly prefer to purchase products and services online. OS MapFinder, which was made available to Android users in September 2013 was launched to iOS users in January 2013.

OSL revenue of £1.9m is £0.3m above 2012–13, while the EBITDA loss of £0.6m is £0.3m lower than in 2012–13. We remain committed to growing the OSL business, recognising that our traditional markets are declining and that we must invest in technology both in our infrastructure and our products to retain our consumer relevance in the coming years.

Ordnance Survey International LLP (OSI)

OSI is our international business, targeted to promote and sell our expertise in geospatial information to government agencies across the globe, initially focusing in the Middle East. During the year, OSI generated turnover of £1.3m and a EBITDA loss of £0.2m (2012–13: £0.3m).

Shared ownership entities

GeoPlace LLP (GeoPlace)

GeoPlace, is a 50:50 joint venture with the Local Government Association, which has developed a new addressing product, licensed to Ordnance Survey. GeoPlace generated EBITDA of £5.8m (2012–13: £5.8m) and returned £4.1m in cash to Ordnance Survey.

Astigan Limited (Astigan)

Astigan is a new 51% owned subsidiary, which is researching new ways of remote data collection. We view this as a medium-term investment and have partnered with technical experts in the field. In the year, Astigan made a loss of £0.7m. We consolidate Astigan as Ordnance Survey has control of the Board.

PointX Limited (PointX)

PointX® is a 50% joint venture with Landmark Information Group®. During the year PointX returned EBITDA of £0.2m (2012–13: £0.3m).

Capital structure

There were no changes in the capital structure in the year and our public dividend capital remains at £34.0m.

Post balance sheet events

On 14 April 2014, Vanessa Lawrence CB resigned as Accounting Officer and Director General and Chief Executive Officer. Neil Ackroyd was appointed as Interim Accounting Officer and Acting Director General and Chief Executive. There have been no other events after the balance sheet date requiring disclosure.

Supplier payments

Ordnance Survey is targeted by the Government to pay 80% of undisputed invoices within five days. During the year, 71% (2012–13: 66%) of invoices were paid within this time frame.

Corporate and social responsibility

Education services

During the 2013–14 school year, we held 38 training workshops across the country. These enabled more than 700 primary and secondary school teachers to explore the full capabilities of the award-winning Digimap® for School service, which now features a number of new tools. The number of schools registered as Digimap users doubled in the past year and in March 2014, the first additional dataset, an historic one-inch map layer covering the whole of Great Britain in the period 1895–99, was released courtesy of the National Library of Scotland (NLS). The dedicated free teaching resources were also updated to support the new English national curriculum and translated into Welsh.

In July, we again ran the free ‘Science for Society’ course: *New Developments in Geography* in partnership with the University of Southampton and The Goldsmiths’ Company. Twenty mid-career specialist secondary geography teachers spent five days immersed in new technology for data collection, analysis and modelling as part of their continuing professional development. The course offered an insight into the work of Ordnance Survey and the Met Office as well as data analysis at the University of Southampton® and also included a field study day in the New Forest.

Community use of the Business Centre

We hosted 54 events at our head office on behalf of local businesses, including Southampton City Council, Hampshire Probation, Solent NHS, and Hampshire Fire and Rescue.

Employee volunteering

Of the 119 employees who opted to take their paid day of volunteer leave entitlement this year, many chose to provide individual support to a particular cause. Others joined together to work on larger projects, such as a team from Information Services who assisted with a conservation project at Marwell Zoo. Other initiatives included providing practical support to cleaning up and improving play areas at a local primary school.

Corporate charity

Employee-led events raised £7,735 for our corporate charity, RNLI, which was chosen by staff. This will pay for an All Weather Lifeboat Station for six crew members with equipment including thermals, lifejackets, safety helmets and pagers.

Employee information

Equality and diversity

Diversity training has included mental health awareness and tips for managing pressure. The diversity induction programme has been revised and we continue to raise our profile in diversity publications to attract a wide range of applications.

We maintain our commitment to employ, retain and develop the abilities of disabled employees through our use of the double tick symbol awarded by Jobcentre Plus®. We have conducted health checks for many field-based employees. Other wellbeing events have focused on muscular skeletal issues and encouraging employees to improve their health. Increased emphasis on mental health this year has increased awareness and provided support for both employees and managers.

Employee ratio

The table below provides a breakdown of Ordnance Survey employees by gender as at 31 March 2014.

	Male	Female	Total
Non-Executive Director	3	0	3
Senior Civil Servant	4	1	5
Senior Manager Head	19	4	23
Other roles	850	310	1,160
Total	876	315	1,191

Employee sickness and absence

Employee absence is monitored and return-to-work interviews held to ensure appropriate support or adjustments can be offered. In 2013–14 an average 4.2 days per employee were lost to sickness (4.2 in 2012–13) with 4,229 (5,010 in 2012–13) days lost in total. This compares favourably with an average of 6 days lost per employee in the private sector and 8.7 days in the public sector.

Health and safety

The downward trend in the number of employee accidents has continued, no working time was lost as a result of a work-related accident, and once again we have achieved nil reportable accidents. Recent internal audits have shown that we continue to meet all of our health and safety responsibilities.

Off-payroll engagements

As required by the Alexander review, we disclose all off-payroll engagements which exceed six months. Ordnance Survey uses the services of contractors provided by third-party organisations to cope with peaks of demand on resources and complies with the recommendations outlined in the Alexander review. Assurance is provided to BIS annually that in all cases we have sought and gained legally binding assurance that individual contractors have and will pay the right amount of Tax and National Insurance.

Off-payroll engagements as at 31 March 2014 for more than £220 per day and that last for longer than six months are as follows:

	31 March 2014	31 March 2013
Number of existing engagements as of 31 March 2014	36	64
Of which...		
Number that have existed for less than one year at time of reporting.	20	1
Number that have existed for between one and two years at time of reporting.	10	12
Number that have existed for between two and three years at time of reporting.	3	17
Number that have existed for between three and four years at time of reporting.	0	4
Number that have existed for four or more years at time of reporting.	3	14

For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014, for more than £220 per day and that last for longer than six months are as follows:

	31 March 2014	31 March 2013
Number of new engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014.	113	79
Number of the above, which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations.	113	79
Number for whom assurance has been requested.	113	79
Of which...		
Number for whom assurance has been received.	83	77
Number for whom assurance has not been received.	30*	2 (reported to HMRC Feb 14)
Number that have been terminated as a result of assurance not being received.	0	0

* The 30 individuals who have not yet responded to the Tax assurance request were not engaged prior to the 2013–14 Tax assurance exercise being carried out. We continue to seek to obtain this assurance and if it is not provided when the Tax deadline has passed, we will pass details to HMRC for further investigation.

Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2013 and 31 March 2014.

	31 March 2014	31 March 2013
Number of off-payroll engagements of Board members, and/or senior officials with significant financial responsibility, during the financial year.	2	0
Number of individuals that have been deemed 'Board members, and/or senior officials with significant financial responsibility', during the financial year. This includes both off-payroll and on-payroll engagements.	10	8

During the year Ordnance Survey needed to bring new commercial expertise into the business at a senior level, but on a short-term basis. Two appointments were made, a Commercial Director and a Director of Marketing and Communications, in February 2014. These roles are essential if Ordnance Survey is to meet its immediate business objective to add platform and solutions products to its content business. Both contracts have the appropriate tax assurance clauses in place and, although the contracts are for a maximum of 12 months, they both include a notice period of 20 working days exercisable by Ordnance Survey, should it be decided to change or end the relationship with these contractors.

Sustainability

We have upgraded our sustainability reporting, improving its completeness and quality. The information reported here covers the last five years, for which the first two relate to our old head office building at Romsey Road, Southampton. This means that trends in data are not strictly comparable. Our first full year at the BREEAM® ‘Excellent’ rated Explorer House, was 2011–12. Explorer House, by its design, is a smaller and more energy efficient building than the Romsey Road office, but in addition Ordnance Survey outsourced the printing and warehousing of its paper maps when relocating, effectively removing a factory operation. The move of head office buildings has equated to a GHG reduction of approximately 3,700 tonnes of CO₂e.

Our statutory obligations require us to use the financial year 2009–10 as the baseline year to benchmark our carbon footprint and sustainability targets. However, our carbon footprint has been restated for all years in order to account for material changes to the conversion factors provided by Defra for company reporting processes.

Another significant change to this year’s report is the inclusion of ‘normalised’ data. Historical accounts (with the exception of water usage) have used absolute metrics. By using a consistent factor, a relevant comparison between different accounting periods can be made. Normalised metrics have been applied retrospectively to historical data, but for head offices, only data for Explorer House has been included.

Sustainability initiatives

At the start of 2012–13, our Carbon Management Plan (CMP) was formally signed off by the Board of Directors. The CMP sets a target for reducing our emissions over a five-year period and is governed by an Environmental and Sustainability Group. However, it has become apparent that the baseline and targets needed to be reset. We are in the process of re-baselining, re-scoping and setting new targets and associated projects. Nevertheless, a number of CMP projects were completed during 2013–14, which led to energy savings.

Procurement

Where possible, Ordnance Survey uses government contracts where sustainability is a key evaluation criterion. Where relevant this criterion is applied in establishing Ordnance Survey contracts and managing these contracts on an ongoing basis. Where complex supply chains exist a dedicated supply chain manager manages them and seeks to ensure that Ordnance Survey is efficient in all areas including sustainability and corporate social responsibility.

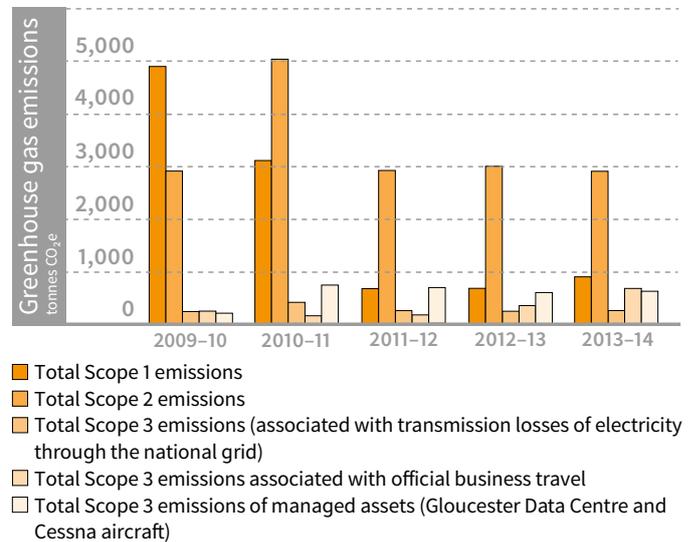
Where government buying standards exist for required products and services, these are used and managed on an ongoing basis. A key supplier for Ordnance Survey is Norland Managed Services who provide a fully outsourced service for facilities management of the head office building – this contractor uses the PAS99 Integrated Management system which includes ISO14001; ensuring high environmental standards are met.

Performance commentary on Greenhouse Gas (GHG) emissions

The Greening Government Commitments require Ordnance Survey, by 2015:

- To reduce Greenhouse Gas emissions by 25% from a 2009–10 baseline from the whole estate and business related transport.
- To cut the number of domestic business travel flights by 20% from a 2009–10 baseline.

As the graph below, and main table indicate, we have reduced our overall GHG emissions by 37% compared to 2009–10. This is mostly due to relocating head office and outsourcing the map printing. Our number of instances of domestic flights, however, has reduced by only 5%.



A factor that has significantly impacted on our carbon footprint is the rectification of the Current Transformer (CT) ratio of the main electricity meter. This was incorrectly commissioned upon first occupation of Explorer House and Ordnance Survey became aware that there was an error in 2013. In 2012–13, the reported electricity consumption was 3,246,570 kWh, when in fact it should have been 6,493,140 kWh. Retrospective adjustment of electricity consumption has been made for the years of occupation at

Explorer House. However, the financial indicators for energy consumption from 2010-11 through to 2012-13 have not been adjusted to reflect the CT ratio error, resulting in a large increase in costs for 2013-14.

We are only reporting on buildings and assets for which we have an element of control. We have included our electricity consumption from the Gloucester Data Centre as a Scope 3 'Managed Asset'. However, for CRC purposes, Land Registry® reports on the total energy expenditure for the whole Gloucester Data Centre site, as they have full responsibility for it. Emissions attributed to the hired Cessna surveying aircraft have been included in this year's report as a Scope 3 'Managed Asset'. Historical figures for Scope 3 managed Assets have been retrospectively applied from 2009-10 and do increase Ordnance Survey's total emissions.

Incorporating the new CT ratio for the electricity meter, energy consumption at Explorer House has remained fairly constant throughout the year and in relation to the previous two years. However, there have been spikes in gas usage, which can be attributed to the Ground Source Heating and Cooling Pump not working at full efficiency. This has ultimately led to an extra 100 tonnes of CO₂e emitted.

The Defra emission conversion factor for electricity usage has also changed. These changes have been applied retrospectively, including for the baseline year of 2009-10.

Direct impacts commentary on GHG emissions

Scope 1 emissions are at their highest since being at Explorer House (due to more surveyors travelling, sales and gas usage). Scope 3 'Official business travel' emissions have more than doubled compared to 2012-13. This can be mostly attributed to better data collection. Ordnance Survey has spent the most on energy since 2009-10 (reflecting the increased wholesale price of electricity and gas, more travelling and CRC expenditure).

Indirect impact commentary on GHG emissions

Our indirect impacts are emissions that we cannot control, but may still be able to influence. We have a Travel plan to encourage sustainable forms of commuting for staff and have a series of events to promote lower impact commuting and business miles.

Commentary on normalised metrics

This is the first year we have included normalised metrics, which will enable direct comparisons to historical or future reports, despite the business expanding or contracting.

The first trend is that kWh/m² has increased each year since being at Explorer House. This is due to increased staff numbers and increases in IT equipment. The kWh/m² at the GDC shows how energy intensive data centres are in comparison with a general office.

The number of domestic flights has increased each year since 2009-10. Long haul flights generate, on average, over two tonnes of CO₂e per passenger flight and the kg CO₂e per journey for rail travel has reached an all time high. These figures reflect better data collection and are not necessarily representative of more travel being undertaken.

Business travel

Travel emissions include fleet car travel and business travel by hire car, taxi, rail and air. For reporting purposes, Ordnance Survey has excluded international rail and taxi travel from its GHG report, but has included international air travel (with radiative forcing factors). This is the first year we have detailed the exact expenditure per type of transport. We want to use this information to set future targets.

The main source of emissions is our fleet of over 350 'Business User Scheme' (BUS) vehicles used by Operations and Sales and Marketing Developments. These vehicles are essential to enable our staff to carry out their work, but we aim to minimise the environmental impact of road travel as far as possible. Since 2009-10, it can be illustrated that the efficiency of vehicles used has improved. For that year, the BUS average grams of CO₂e per kilometre was 182.5. In 2013-14, this had dropped to 155.5 g CO₂e-km. A similar pattern can be seen in hire cars. There has been a shift to using smaller engine diesel cars (less than 1.7 litres) in our fleet and a process to lower the average emission value of each fleet vehicle when contracts are up for renewal.

Ordnance Survey took on 25 field surveyors from Land Registry® in March 2013 which has resulted in more road travel. The start of Ordnance Survey International during 2012-13 has also resulted in an increase in international air travel.

Better data collection of business related travel has had a major impact on our GHG emissions. The use of Redfern, thorough scrutiny of the pre-existing Webexpenses system and retrospective error checking has resulted in a marked increase of reported travel and associated emissions. In real terms, 2013-14 is the first year where the travel related emissions are 'truly' representative. Therefore, year on year figures for business related travel are not strictly comparable.

Energy usage and greenhouse gas emissions

Absolute metrics	Scope/emission/energy use	2009-10	2010-11	2011-12	2012-13	2013-14
Non-financial indicators (tCO ₂ e)	Total Scope 1 emissions (gas, fuel for fleet cars and fugitive emissions from air chillers)	4,880.2	3,095.9	664.9	670.7	888.7
	Total Scope 2 emissions (off-site electricity generation)	2,896.6	5,018.6	2,916.8	2,987.0	2,915.6
	Total Scope 3 emissions (transmission loss of electricity)	229.4	404.1	249.3	236.0	249.3
	Total emissions attributed to electricity consumption (Scope 2 and 3)	3,126.0	5,422.8	3,166.0	3,222.9	3,164.9
	Emissions attributable to Scope 3 official business travel (rail, taxi, air, underground)	238.2	148.6	166.3	342.3	668.7
	Emissions attributable to Scope 3 managed assets (Gloucester Data Centre, including fugitive emissions and electricity consumption)	26.6	561.6	524.1	470.6	462.7
	Emissions attributable to Scope 3 managed assets (Cessna surveying aircraft)	172.2	169.6	153.1	119.8	152.6
	TOTAL emissions (all scopes)	8,443.2	9,398.5	4,674.4	4,826.5	5,337.5
Related energy consumption (kWh)	Electricity (mains 'green' tariff – EH and GDC)	5,915,536	11,409,976	7,518,130	7,439,107	7,499,346
	Gas	20,757,893	13,219,955	447,319	480,274	979,967
	TOTAL kWh consumption	26,673,429	24,629,931	7,965,449	7,919,381	8,479,313
Financial indicators (£)	Expenditure on energy (gas, electricity, BUS fuel, GDC electricity, Cessna fuel)	£1,330,385	£1,213,341	£363,908	£356,061	£1,336,831
	Expenditure on CRC (including fees and allowance)	n/a	n/a	£24,308	£24,380	£46,868
	Expenditure on official business travel (rail, hire cars, taxis, air and BUS leasing)	£2,545,038	£2,311,094	£2,226,708	£2,625,968	£2,604,372
	TOTAL expenditure on energy, CRC and official business travel	£3,875,423	£3,524,435	£2,614,924	£3,006,409	£3,988,071

Normalised metrics	Asset	2009-10	2010-11	2011-12	2012-13	2013-14
kWh/m ²	Explorer House	n/a	n/a	457.1	461.9	498.5
kWh/m ²	Gloucester Data Centre	226.7	4,880.7	4,866.7	4,319.5	4,358
g CO ₂ e/km travelled	BUS mileage (kilometres)	182.53	168.66	168.19	158.75	155.45
g CO ₂ e/km travelled	Hire vehicles mileage (kilometres)	204.10	187.38	185.58	184.02	178.35
Number of instances	Domestic flights	460	257	373	268	438
kg CO ₂ e/passenger-flight	Domestic flights	28.1	29.7	25.1	130.6	152.8
kg CO ₂ e/passenger-flight	Short haul flights	614.9	1,482.1	899.8	333.7	309.8
kg CO ₂ e/passenger-flight	Long haul flights	2,188.3	2,294.8	1,549.6	1,802.6	2,380.5
kg CO ₂ e per journey	Domestic rail travel	n/a	n/a	7.8	6.6	11.7

		2009-10	2010-11	2011-12	2012-13	2013-14
Financial breakdown of business travel	BUS lease	n/a	n/a	n/a	n/a	£1,546,041
	BUS fuel costs	n/a	n/a	n/a	n/a	£332,351
	Hire car costs	n/a	n/a	n/a	n/a	£142,548
	Domestic rail travel (including underground)	n/a	n/a	n/a	n/a	£228,023
	Domestic flights	n/a	n/a	n/a	n/a	£63,186
	Short haul flights	n/a	n/a	n/a	n/a	£55,856
	Long haul flights	n/a	n/a	n/a	n/a	£193,730
	Domestic taxis	n/a	n/a	n/a	n/a	£39,224

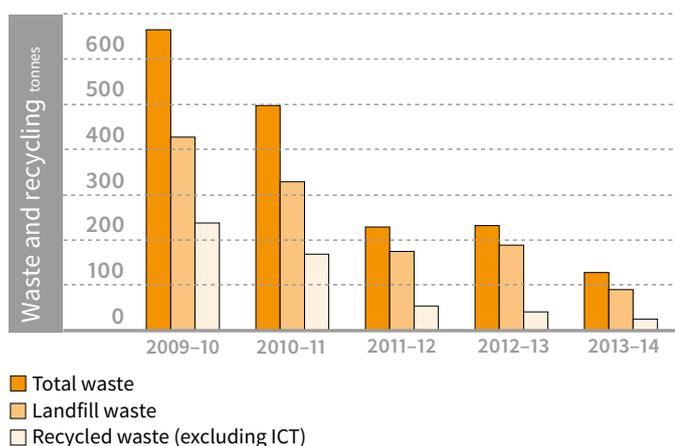
Travel plan

Better data collection throughout 2013–14 has given Ordnance Survey a much more accurate picture of how our staff commutes. The Travel plan encourages sustainable forms of business and commuter transport to Explorer House, and includes a series of promotions and ample facilities for car sharing, bus travel, cyclists and walkers. We continue to offer discounted season bus passes for First and Blue Star bus services in Southampton and Hampshire and actively promote bus usage by offering ‘taster’ day tickets and timetables. We plan to upgrade our existing car sharing system to encourage and promote more car sharing. Our ongoing cycling promotions, including a monthly free bike service, are keeping our cycling rates up (just under 10% of Explorer House staff cycle to work).

We will refresh our Travel plan and roll out more promotions in 2014–15 and make use of the resources provided by *My Journey Hampshire* (a Department for Transport funded initiative).

Waste and recycling

The Greening Government Commitments require us to reduce the amount of waste we generate by 25% by 2015 from a 2009–10 baseline. We have reduced our total waste against this baseline by 81%, mainly due to relocating head offices and outsourcing map printing. Our waste has decreased by around 40% compared to 2012–13.



Direct impacts commentary on waste

This year we have included detailed hazardous waste arisings and have improved our data collection for ICT waste and composting. We have just entered into an agreement with Southampton City Council and a social enterprise, CRUMBS, who redistribute office furniture and sundries, which will decrease waste levels slightly. We will reduce the amount of disposable cups entering the landfill waste stream by using fully recyclable disposable cups.

In the 2012–13 report, the total waste cost omitted other collections (it only included the central waste contract cost). Ordnance Survey will strive to provide more granular and accurate data of its waste streams in coming years and is in the process of setting new waste reduction targets.

Indirect Impacts Commentary on Waste

Approximately 77% of waste is recycled or reused, though there was a 5% decrease on recycling rates from 2012–13, 20% of waste was sent to landfill (18% last year). There have been a number of changes with our waste handlers that have contributed to favourable waste figures this year. Due to the recalibration of our main waste handler’s equipment and a change in their reporting methodology, we have seen a 40% decrease of total waste arisings compared to 2012–13. On initial investigation, there have been no significant operational changes at Ordnance Survey to alter the waste figures.

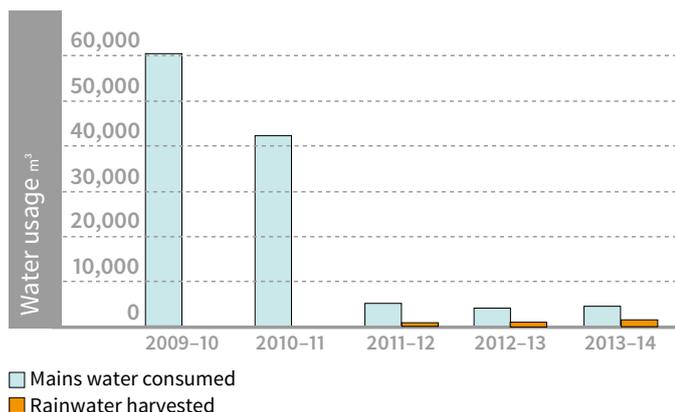
The reported composting rates from our in vessel composter have increased significantly due to better data recording. The resulting compost is mostly taken by staff or used on the grounds at Ordnance Survey.

Performance commentary on finite resources (water consumption and paper)

The Greening Government Commitments require Ordnance Survey, by 2015:

- To reduce our water consumption from a 2009–10 baseline. The target is site specific (although Ordnance Survey is currently in the process of setting new targets) and is levied against the following best practice benchmarks:
 - $\geq 6 \text{ m}^3$ water consumption per FTE = poor practice
 - 4 m^3 to 6 m^3 per FTE = good practice
 - $\leq 4 \text{ m}^3$ per FTE = best practice
- To reduce the amount of paper procured (site specific target) on a year-on-year basis.

We have reduced our total water consumption by over 90% compared to the 2009–10 baseline and are within the 'good practice' category. This is due to moving to a far more efficient building. We have increased the amount of paper procured by over 300% from the first set of figures released in 2011–12. This is mainly due to better data collection – we are now confident of recent data and prior period comparison may be misleading.



Direct impacts commentary on water consumption and paper procurement

There has been a slight increase in both mains water and rainwater consumption in 2013–14. The inclusion of the rainwater harvester figure has skewed the results, so a direct comparison with previous years is not appropriate.

Ordnance Survey used 6,097 m³ of Scope 1 and Scope 2 water at Explorer House: 4,559 m³ of mains water (scope 2 water) and 1,538 m³ of water from our 80,000 litre rainwater harvester (scope 1 water), which is approximately 25% of our total water consumption. We do not have data of water supply for our serviced offices.

There is a large discrepancy of water consumption from previous years' reports. This is due to the fact that only the mains water consumption (Scope 2 water) was used. We have adjusted the FTE figure to include contractors (missed out in previous reports), which slightly alters the ratio.

The water use metric is 4.9 m³ per Full Time Equivalent (FTE) employee, which is classed as 'good practice', as detailed in the Greening Government Statistics. Last year's submission was categorised as 'best practice', although this was due to excluding the harvested rainwater from the calculation.

Since moving to Explorer House, paper procured by the facilities management contractor and used in our internal print services function (DPS) has been omitted from the paper procurement figures. Only data from the central Banner contract had been reported. In 2013–14, paper from both sources has been included, resulting in the increase in paper consumption (21.84 tonnes in 2013–14 as opposed to 7.03 tonnes in 2012–13). Both paper sources adhere to environmental standards for paper products, which consist of Ecolabel, FSC accredited or recycled products.

Indirect impacts commentary on water consumption and paper procurement

We can only directly control the water consumption and paper procurement at our head office. We therefore can only influence or guide our field staff on water and paper use efficiency. Aside from using volumes of water in our everyday business, 'indirect' or 'embedded' water refers to water that is embodied in assets such as buildings and equipment. Accounting for indirect water usage would considerably increase our water footprint, and at present, we do not have means of collecting and calculating this information. Once guidelines have been created by government, we will account for embodied water usage in future reports.

Biodiversity action plan

Native British flora was planted in an unmanaged area to the east of Explorer House. This is to encourage more biodiversity on and around the site. We plan to write a Biodiversity Action Plan during 2014–15 that is commensurate with the government commissioned State of Nature report.

Future improvements in sustainability

Ordnance Survey's challenge for the future is to make energy savings and efficiencies with a highly energy efficient building and a growing and dynamic organisation. We plan to refresh our Carbon Management Plan, write a Sustainable Development Plan and Climate Change Adaptation Plan to target further reductions in our environmental impact. Innovation and intelligent management of resources and processes will be important in reaching future targets. Furthermore, Ordnance Survey is committed to improving its data collection and processing methodology to obtain more accurate figures.

Waste

Waste			2009-10	2010-11	2011-12	2012-13	2013-14	
Absolute metrics								
Non-financial indicators (tonnes)	Total waste arisings (tonnes)		666	498	229	232	128.30	
	Non-hazardous waste	Waste recycled/reused (excluding ICT)	428	329	175	189	90.17	
		ICT equipment reused/recycled externally	n/a	n/a	n/a	2.25	6.92	
		Waste composted	n/a	n/a	0.08	0.21	4.32	
		Waste sent to landfill	238	169	54	41	25.14	
		Hazardous waste	Batteries (recycled)	n/a	n/a	n/a	n/a	0.10
		HCFC equipment (fridges and so on)	n/a	n/a	n/a	n/a	1.01	
		Fluorescent lamps (recycled)	n/a	n/a	n/a	n/a	0.08	
		Toner cartridges (recycled)	n/a	n/a	n/a	n/a	0.5	
		Sanitary waste (not recycled)	n/a	n/a	n/a	n/a	0.06	
Financial indicators (£)	Total disposal costs (£)		£50,429	£121,017	£25,195	£15,832	£32,915	
	Non-hazardous waste	TOTAL NON-HAZARDOUS WASTE COSTS	Included in total waste cost				£15,832	£27,717
		Waste recycled/reused	Included in total waste cost				£15,832	£13,729.00
		ICT equipment reused/recycled externally	n/a	n/a	n/a	n/a	£10,588.75	
		Waste composted	n/a	n/a	nil	nil	nil	
		Waste sent to landfill	Included in total waste cost (same as waste recycled/reused)					
	Hazardous waste	TOTAL HAZARDOUS WASTE COSTS	n/a	n/a	n/a	n/a	£5,197.76	
		Batteries (recycled)	n/a	n/a	n/a	n/a	£427	
		HCFC equipment (fridges and so on)	n/a	n/a	n/a	n/a	£135	
		Fluorescent lamps (recycled)	n/a	n/a	n/a	n/a	£150	
		Toner cartridges (recycled)	n/a	n/a	n/a	n/a	£175	
		Sanitary waste (not recycled)	n/a	n/a	n/a	n/a	£4,311	

Water and paper

Finite resources consumption – water and paper procured			2009-10	2010-11	2011-12	2012-13	2013-14
Non-financial indicators (m³)	Water consumed (m³)	Mains water supply	60,272	42,347	5,234	4,185	4,559
		Harvested rainwater used	0	0	812	1,007	1,538
		TOTAL CONSUMPTION	60,272	42,347	6,046	5,192	6,096.8
Normalised metrics	Water consumed (m³)	Mains water supply per FTE	51.6	38.18	4.85	3.81	3.65
		Harvested rainwater used per FTE	-	-	-	-	1.23
		TOTAL CONSUMPTION per FTE	51.6	38.18	4.85	3.81	4.88
Absolute metrics	Paper procured (tonnes)	Procurement (through Banner GGC)	n/a	n/a	5.41	7.03	6.04
		Procurement through FM contractor	n/a	n/a	n/a	n/a	15.8
		TOTAL PAPER PROCURED	n/a	n/a	5.41	7.03	21.84
Financial indicators (£)	Water consumed (£)	Mains water supply and treatment	£118,024.00	£84,600.00	£15,516.00	£14,383.00	£15,258.55
		Used harvested rainwater treatment	n/a	n/a	-	-	£1,482.55
		TOTAL WATER SUPPLY and TREATMENT	£118,024.00	£84,600.00	£15,516.00	£14,383.00	£16,741.10

Future outlook

The coming year will be a year of transition as we seek to provide the right platform for the future growth of the business. We are aiming to accelerate the pace of change to keep our place in rapidly changing markets.

The focus will be on developing Ordnance Survey's services and solutions capability gaining a greater understanding of our customers' business problems and delivering solutions, applications and services which provide the outcomes they want. At the same time we will continue to grow and improve our Partner network as it is through these partnerships that we can enter new markets and reinforce the value of location data to new customers.

We will grow our international business in 2014–15 and through Ordnance Survey International we expect to commence new partnerships with national governments and nations across the globe. We will also be developing our strong relationship with the SLRB (in Bahrain).

Within the public sector we will continue to grow the use of location data through the PSMA and OSMA. Through our case studies we have demonstrated real efficiency savings for public sector users. We want to continue collaborative working with key government stakeholders, providing additional support to Cabinet Office and the new Resilience Direct platform. Location data is delivering high levels of value across the public sector and is underpinning a diverse range of vital public services, but there is more value which can be achieved.

Our priority for the consumer sector is to build and expand our brand and our mobile products and services. Ordnance Survey already has a strong consumer brand, but the focus will be on expanding our digital services and reaching out to new *tribes* ensuring that Ordnance Survey is the preferred choice of mapping for those who seek to adventure and discover.

Essential to all of our activity is the quality and accuracy of the core data. This is an area which we will continue to develop, and conduct research to find new improved ways to capture and maintain change. Over the next year we will continue to work our way across Great Britain with our content improvement programme and explore ways in which our field surveyors can support new customer solutions. Equally important is the need to continue to invest in the capability and skills of our employees, so we will continue our professional development programmes and expand our graduate scheme.

We are set for a challenging year, increasing our focus on meeting the needs of our customers and ensuring a sustainable future for Ordnance Survey. As part of Ordnance Survey's long-term business strategy the Ordnance Survey Board, supported by the Department for Business, Innovation and Skills (BIS), is examining whether a move to a Government-owned Company (GovCo) would be beneficial. The review will determine which business model will serve it best in the coming years; to enable it to continue to fulfil its public task and wider industry role as markets for geospatial products, services and solutions continue to grow substantially. Becoming a GovCo would not change the ownership of Ordnance Survey – it would remain 100% in public ownership – but it would enable Ordnance Survey to become more responsive and flexible, keeping pace with the rapidly changing markets. Any decision on the transfer is likely to be made before 30 September 2014, but at the date of signing these accounts the Directors believe that the final decision is uncertain.

Accordingly, having reviewed the factors that could impact on the going concern of the Group and Trading Fund, the directors have concluded that no material uncertainties exist that cast significant doubt about the ability of the Group to continue as a going concern for at least the next 12 months and the financial statements have therefore been prepared on the going concern basis.

Principal risks and uncertainties

The Ordnance Survey Audit and Risk Committee (OSARC) and the Strategy Board assess the risks facing the business on a regular basis and keep the risk management framework under continuing review. The current risk register describes the following as being the principal risks for the business:

- The business is unable to attract and retain the right people with the right skills in the right places.
- Failure to appropriately keep abreast of and adopt new technology in critical business areas.
- Failure to protect Ordnance Survey business and personal information, including cyber-security.
- Government policy requires income generating data sets to be released free into the market.
- Existing and potential customers find alternative solutions to Ordnance Survey product and services.
- Failure to deliver the investment portfolio.
- A lack of clarity of Ordnance Survey's vision, direction, leadership and communication of strategy.
- Failure to capitalise on opportunities to exploit Ordnance Survey's brand.

Further details on risks are included in the *Corporate governance statement* on page 25.

Signed on behalf of the Board by:



Neil Ackroyd

Acting Director General and Chief Executive
12 June 2014

CORPORATE GOVERNANCE STATEMENT

Scope of responsibility

As Acting Director General and Chief Executive of Ordnance Survey I fulfil the role of Accounting Officer (AO). 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.

The Purpose of the Corporate Governance statement

The Governance statement, for which I take personal responsibility, is intended to give a clear understanding of the dynamics of the business and its control structure. It explains how the organisation has complied with the principles of good governance and reviews the effectiveness of its governance arrangements.

The Governance framework

Roles and high-level responsibilities within the governance framework include the following:

Minister: Ordnance Survey operates as an Executive Agency and as a Trading Fund under the *Ordnance Survey Trading Fund Order 1999* (SI 1999/965), and is accountable to Parliament through the Secretary of State for Business, Innovation and Skills (BIS). Our Minister within BIS, The Rt Hon Michael Fallon MP, has approved the 2013–18 corporate business plan. The Minister is answerable to Parliament for all matters concerning Ordnance Survey.

Shareholder Executive: Ordnance Survey reports to BIS through the Shareholder Executive (ShEx), an Executive Agency within BIS. ShEx advises BIS ministers on the management of the Government's interest in Ordnance Survey and a ShEx representative attends Strategy Board (see page 27) meetings.

Accounting Officer (AO), Director General and Chief Executive: has responsibility for the proper, effective and efficient use of public funds and may be required to appear before the Public Accounts Committee. The AO is accountable to the Minister for the performance of Ordnance Survey in accordance with the Framework document, the corporate business plan and the agency performance monitors.

Strategy Board: comprises a Non-Executive Chair and up to three other Non-Executive Directors in addition to the Executive Directors and it meets six times a year. Its role is to determine the long-term strategy and vision of the organisation to ensure that Ordnance Survey remains

relevant and effective and delivers against the public task, policies and objectives set for it by Ministers. Strategy Board is the principal oversight Board for Ordnance Survey and it receives submissions from each part of the organisation to monitor performance against key performance indicators including the business plan and budget. For the financial year 2013–14, the Board remit has been updated formally to include the other organisations in which Ordnance Survey has a financial interest: Ordnance Survey Partners Ltd, Ordnance Survey International LLP, Ordnance Survey Leisure Ltd, PointX Ltd, GeoPlace LLP and Astigan Ltd.

The Strategy Board terms of reference are available on our website: <http://www.ordnancesurvey.co.uk/docs/governance/os-strategy-board-remit-and-terms-of-reference.pdf>

Executive Committee: has responsibility for all operational matters. Its role is to ensure the efficient and effective implementation of the strategy as agreed by Strategy Board. It receives reports on various aspects of the business to ensure that governance is maintained. In line with the agreed framework for delegated financial authorities, Executive Committee has delegated authority to a number of sub-groups. These sub-groups provide oversight on investment activity and expenditure, marketing and promotional activity, pricing, licensing and trading arrangements, product life cycles and recruitment. The Executive Committee is chaired by the Acting Director General and Chief Executive and meets once a week.

The Executive Committee remit and terms of reference are available on our website: <http://www.ordnancesurvey.co.uk/docs/governance/os-executive-board-remit-and-terms-of-reference.pdf>

Audit and Risk Committee (OSARC): is responsible for the independent appraisal of Ordnance Survey's control environment, risk management and effectiveness of corporate governance, and for providing advice and challenge on risks that may impact the organisation. It is chaired by a Non-Executive Director. The Chair assesses whether the Committee has discharged its responsibilities effectively and in accordance with the terms of reference.

The Audit and Risk Committee terms of reference are available on our website: <http://www.ordnancesurvey.co.uk/about/governance/foi/docs/audit-risk-assurance-remit-terms-of-reference.docx>

Remuneration Committee: is responsible for reviewing and recommending Executive Directors' and Senior Manager Heads' salaries, performance-related payments, taxable benefits and in 2013–14, agency bonuses. This is chaired by a

¹ HM Treasury: Managing Public Money, July 2013

Non-Executive Director. Further information on the work of the Remuneration Committee can be found in the report on Directors' remuneration on page 32.

The Risk and Internal Control Framework

Our strategy for risk management is designed to achieve a cost-effective balance between mitigation and acceptance of risk. Risks are proactively identified and managed at all levels of the organisation so that Ordnance Survey's exposure to risk, including information risk, is captured, reported and maintained at an acceptable level. Risk management is supported through the roles and actions of the key governance and decision-making groups.

The process of risk management is a continuous cycle, which is applied throughout the organisation and is driven through the risk partner model. 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;
- risks to information are proactively identified, categorised and prioritised in a consistent manner throughout the business;
- actions to mitigate all identified risks to acceptable levels are designed, assigned an owner, implemented and reviewed for effectiveness;
- sources of assurance over the actions taken to mitigate the identified risks are catalogued and reviewed for effectiveness;
- all risks are evaluated for potential impact, likelihood and proximity and regularly reviewed to ensure they remain at an acceptable level to the business;
- the performance of the overall risk management process is kept under review to ensure it is aligned to the business planning process, working effectively and adding value to the business;
- adequate business continuity and disaster recovery is maintained through the maintenance and testing of detailed plans; and
- the provision of assurance supplies reliable evidence over the risk and internal control environment, with particular focus to those areas considered to be of higher inherent or unmitigated risk or where gaps have been identified in the sources of assurance.

In the first instance, the level of risk is assessed by risk owners by reference to the organisation's risk framework. Risks are then ranked and reviewed at management boards

to ensure that the net risk is appropriate to the business. During 2013–14 we increased our focus on the Strategic risk profile and have implemented a regular programme of reviews of Strategic risks at Executive Committee to assess the relevance, completeness and adequacy of mitigating actions. The Chief Risk Officer is responsible for providing assurance reporting to OSARC on the adequacy of the Strategic risk management process.

Risk profile

OSARC reports through to the Strategy Board. It is satisfied that the organisation is managing its risk profile appropriately. This opinion has been formed in conjunction with the Risk and Assurance function.

High-level themes within the risk profile include:

Government policy and austerity measures

Changes in government policy (including European Directives) could impact the organisation's ability to deliver overall business strategy and would require plans and strategies to be revised appropriately. The ability of Ordnance Survey to influence government policy is conducted within the remit of the Civil Service Code. We seek to maintain a dialogue with our Ministers and sponsor Department sufficient to ensure that the impact of agreed policy or open consultations is understood.

Ordnance Survey has responded to the key government policy on austerity through changes at all levels. The overall organisational structure is kept under review and we have completed a number of re-organisations across all departments to improve the effectiveness and efficiency of our operations. The internal governance structure ensures close monitoring of all recruitment activities, investments and expenditure on marketing activities and events. All exceptions to policy, including travel, require appropriate approval from the Executive Board, and we comply with government policy to publish items of expenditure over £500. One of the agency performance measures is specifically aimed at cost efficiency, requiring the organisation to reduce the cost base of the core business by 5% per annum, measured against a baseline of 2008–09 running costs and this target was achieved in 2013–14 as reported in the agency performance measures on page 4.

Information technology

Ordnance Survey generates collects and manages data and therefore requires resilient and consistently available IT estate, which is maintained by people with the appropriate processes and skills. Efficient operations and product delivery which meets evolving customer's needs are both reliant on the underlying technology.

Attendance at the main governance boards is as follows:

Name	Strategy Board		OSARC		Remuneration Committee	
	Number of meetings	Attendance	Number of meetings	Attendance	Number of meetings	Attendance
Sir Rob Margetts CBE	6	6			3	3
Dr Vanessa Lawrence CB (resigned as CEO 14 April 2014)**	6	6	1	1		
Ian Nunn	6	6	3	3		
Bob Goodrich (until February 2014)*			3	3		
Neil Ackroyd (appointed Acting CEO 14 April 2014)**	6	6	1	1		
Peter ter Haar**	6	6	1	1		
Mike Carr	6	6	3	3	3	3
Rob Varley	6	5	3	3		
Piers White MBE	6	6	3	3	3	3
Fiona-Jane MacGregor (until December 2013)	4	4				
Craig Lester (from January 2014)	2	2				

*Bob Goodrich ceased to be a member of Strategy Board in 2012–13.

** Vanessa Lawrence, Neil Ackroyd and Peter ter Haar attend OSARC on a rotational basis as defined in the terms of reference.

During 2010–11, a new bespoke production system – the Geospatial Data Management System (GDMS) – was introduced to manage our mapping data. Further refinements and enhancements were made to this system in 2013–14 as part of a long-term investment programme. The success of these enhancements has enabled Ordnance Survey to provide a more stable and scalable production system capable of supporting the volume and quality of our data and to meet future needs. Internal capabilities have been reorganised to provide the right mix of skills, experience and working practices to support GDMS.

Strategy and innovation

Ordnance Survey supports innovation within the wider geospatial community, through programmes such as GeoVation, and there is an equivalent focus on innovation within the organisation <http://www.ordnancesurvey.co.uk/innovate/geovation/index.html>

The innovation agency performance measure, also aims to ensure that key opportunities for new markets and opportunities for growth are identified and explored in a timely manner.

Operating environment

The markets within which Ordnance Survey operates have become increasingly fast-moving as customer requirements constantly evolve. Ordnance Survey continues to invest in the content it captures and maintains, while seeking to develop new products, platforms and services. Ordnance Survey seeks to engage continuously with its

customers and stakeholders and monitors global and local market trends closely through a number of insight and outreach programmes.

Ordnance Survey complied with the HM Treasury requirement to undertake an assessment of its financial controls during 2011–12 under a government-wide initiative, Managing the Risk of Financial Loss. No significant weaknesses were identified and, this approach to financial risk management is now embedded within the risk framework outlined on page 26.

Revenue compliance

Royalty income is recognised when Ordnance Survey becomes entitled to receive a fee from a sale of Ordnance Survey data by a Licensed Partner. Ordnance Survey gains assurance that royalty income from Partners is completely and accurately reported through an annual programme of Revenue Compliance Reviews. As well as auditing Partner’s royalty returns, the reviews ensure that data made available to Partners for commercial exploitation and Ordnance Survey’s intellectual property rights are properly safeguarded. In 2013–14, the Revenue Compliance Programme has provided assurance over 54 % of the actual royalty revenue and identified £18,473 in undeclared royalties, representing 1 % of total return for 2013–14.

Other entities

Ordnance Survey operates in part through a number of subsidiary bodies and joint ventures. These bodies have opened up new products, methods of delivery and markets,

and this year the organisation entered into a new joint venture, Astigan Limited, which is tasked with finding innovative methods to reduce long-term data collection costs. All organisations within the Ordnance Survey group are required to perform and deliver in line with stakeholder expectations, and to the standards of control and governance applied to the group as a whole. Ordnance Survey International LLP was subject to an internal audit of its governance arrangements during 2013–14 and the overall assessment was that an effective governance and control framework has been implemented and is in operation.

Business continuity

Ordnance Survey recognises that its data and business operations can be called upon to respond to any incident where geospatial data is required. This requires our own business continuity plans to be robust so that we can respond quickly and appropriately to any emergency situation, whenever and however these occur. There is a dedicated team providing business continuity services within the organisation, which ensures that all internal plans are of an acceptable standard, current and fully tested. The mapping for emergencies team also provides support for external agencies.

Executive Board approved a revised Priority Product and Service list in December 2013. This priority list provides Ordnance Survey with a defined and agreed order for the continuity/recovery of business products and services in the event of a significant interruption. Sixteen Product and Service Business Continuity plans have been tested in 2013–14 and improvement plans developed, together with a forward looking annual review programme.

The testing programme has created greater Business Continuity awareness and it has been useful to spread best practice throughout the business. It has also highlighted areas for improvement, which are being addressed through a schedule of work, which will be tested in future reviews.

People and tax assurance

Any organisation with significant intellectual property is reliant on the skills, knowledge and integrity of its employees. Constant evolution in the geospatial data industry causes skills requirements to change over time and it is important to be able to respond quickly to new and emerging requirements. The efficiency and effectiveness of operations depends on being able to support our employees, providing adequate opportunities for development, career progression and financial reward. These risks are addressed through appropriate recruitment

activities, talent identification with tailored training programmes and recognition schemes.

Ordnance Survey uses the services of contractors provided by third-party organisations to cope with peaks of demand on resources and complies with the recommendations outlined in the Alexander review. Assurance is provided to BIS annually that in all cases we have sought and gained legally binding assurance that individual contractors have and will pay the right amount of Tax and National Insurance. Further details are provided on page 16.

Information

Ordnance Survey considers the confidentiality, integrity and availability of its information to be of high importance. We have a dedicated Information Assurance and Security team who create and monitor information and data policies. The team also undertake assurance activities relating to data security. In accordance with Cabinet Office Security notice – SN2012–03, I can confirm that for the financial year 2013–14 there have been no significant lapses in information security, protective security or losses of protected personal data.

Procurement and Contract management

Ordnance Survey has a central procurement department who are responsible and provide advice to internal customers to ensure that value for money is obtained. Contract management as a discipline and skill in the organisation has been strengthened through the revision of policy, the development of systems and through individual training and development plans for contract managers. There have been new policies introduced, improvements to processes, and review and reporting mechanisms, which manage the two strategic risks relating to this area of the business (ensuring the organisation gets value for money from contracts, and failure to plan ahead, to ensure the right contract).

Review of effectiveness

As Accounting Officer I have responsibility for conducting an annual review of the effectiveness of the system of governance, risk management and internal control. This review is informed by the work of the Risk and Assurance function and executive managers, and includes comments from the external auditors, the National Audit Office, in its management letter. The Governance statement represents the end product of that review.

The process applied in maintaining and reviewing the effectiveness of the system of governance includes contributions from those charged with governance, including all the governance boards and the Senior

Information Risk Officer, Chief Risk Officer and Departmental Security Officer. Most significantly, it incorporates input from the Risk and Assurance function (which comprises Internal Audit, Risk Management, Information Assurance and Security, and Business Continuity) through their annual assurance report to the Accounting Officer and OSARC. Whilst I have only recently been appointed as Accounting Officer from 15 April 2014, I can confirm that this process has been diligently applied during the course of 2013–14 by my predecessor, through regular (monthly) reporting on the effectiveness of internal control and direct briefings from the Chair, OSARC.

During 2013–14, the Strategy Board completed an internal review of its own effectiveness under the guidance of the Non-Executive Chair. This review covered the frequency, methods of working and arrangements for meetings, as well as the balance of agenda items, topics for discussion and depth of debate. Governance arrangements and the development of strategy were also considered. The results were reviewed in March 2014, resulting in a number of performance improvements being agreed. Board Performance reviews are part of the ongoing agenda for the Board in future years. A separate exercise was undertaken, led by a Non-Executive Director, to review the performance of the Chair.

A review of compliance with the Corporate Governance – Code of Good Practice was completed by the Internal Audit department in the financial year 2013–14. Whilst the review noted no significant areas of non-compliance, two recommendations were reported for management attention covering the process for appointment and contract duration of Non-Executive Directors and the need to ensure all

Board members have sufficient visibility and awareness of the Principles of the Code of Practice. We have had a significant change in governance following the resignation of Dr Vanessa Lawrence CB, as Accounting Officer on 14 April 2014 and my appointment as Accounting Officer on 15 April 2014. In taking up the role I have sought assurance from the Head of Risk and Assurance and the outgoing Accounting Officer as to the effectiveness of controls throughout the year and up to the date of my appointment.

The Chair of the Audit Committee provides me with an annual report on the effectiveness of the Audit Committee in discharging its responsibilities.

I have been advised on the implications of the result of my review of the effectiveness of the system of Governance and agreed plans to address weaknesses and ensure continuous improvement of the system of internal control is in place.

Management certification

I have considered all of the evidence provided during the preparation of this Annual Corporate Governance statement and have concluded that the Organisation's overall governance and internal control structures have no significant weaknesses or issues.



Neil Ackroyd
Interim Accounting Officer
12 June 2014

DIRECTORS' REPORT

The Directors present the Annual Report and Accounts for the year to 31 March 2014.

The principal activity of Ordnance Survey remains the collection, maintenance and distribution of up-to-date geographic information.

Results and dividends

The results of Ordnance Survey are set out in the *Income statement* on page 39, and the Directors propose a dividend of £19.4m (2012–13: £20.4m).

Our Directors

The following Directors held office during the year ended 31 March 2014 and to the date of signing this report.

Sir Rob Margetts CBE	Non-Executive Chairman
Craig Lester	Non-Executive Director and Deputy Chairman (appointed 15 May 2014)
Piers White MBE	Non-Executive Director
Mike Carr	Non-Executive Director
Neil Ackroyd	Director of Operations and from 15 April 2014 Acting Director General and Chief Executive
Andrew Loveless	Commercial Director (appointed 10 February 2014)
Ian Nunn	Chief Financial Officer
Katie Powell	Director of Marketing and Communications (appointed 24 February 2014)
Peter ter Haar	Director of Products and Innovation
Dr Vanessa Lawrence CB	Director General and Chief Executive (resigned 14 April 2014)
Bob Goodrich	Director of Information Systems (resigned 31 March 2014)

Miscellaneous disclosures

Our Directors and employees are members of several pension schemes as disclosed in Note 1.12 to the *Financial statements*. All employer pension contributions payable are included in the *Income statement* 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.

No payments were made to our auditors (2012–13: £nil) for the provision of non-audit services.

Employee information and future developments are included within the *Strategic report*.

There were no personal data related incidents during 2013–14.

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 that 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.

Ordnance Survey does not have significant foreign currency transactions. Our International subsidiary receives payments in foreign currency and these are converted to sterling at the earliest opportunity. We do not hedge currency risk under the rules of *Managing Public Money*.

Credit risk

Credit risk manifests itself in the trade receivables balance, which is spread over a large and diverse customer base. The group monitors the financial position of customers on initial application and on an ongoing basis. Provision is made for

debts, which are considered doubtful. At the year end, the Directors do not consider there to be any material unprovided credit risk.

Cash flow risk

The group monitors cash flow risk by maintaining and monitoring cash flow forecasts and ensuring that adequate unutilised borrowing facilities are maintained.

Post balance sheet events

On 14 April 2014, Dr Vanessa Lawrence CB resigned as Accounting Officer and Director General and Chief Executive Officer. Neil Ackroyd was appointed as Interim Accounting Officer and Acting Director General and Chief Executive. There are no other events after the end of the reporting period to disclose.

Provision of information to auditors

In so far as the Directors are aware:

- There is no relevant audit information of which the group's auditors are unaware.
- The Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Fees paid to our auditors are detailed in Note 3 to the financial statements.

Statement of Ordnance Survey's and the 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, changes in taxpayers' equity, 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.

Further information on going concern is included within the *Strategic report* on page 23.

HM Treasury has appointed the Director General and Chief Executive of Ordnance Survey as the Accounting Officer for the Agency. Their 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).



Neil Ackroyd
Acting Director General and Chief Executive
12 June 2014

DIRECTORS' 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 required 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.

Directors' remuneration is set in accordance with other employee pay conditions.

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.

Service contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Principles, which requires appointment to be on merit on the basis of fair and open competition, although these also include the circumstances when appointments may otherwise be made. Officials covered by this report are either appointed on an open-ended or fixed-term contract. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Remuneration Committee

The Remuneration Committee is currently chaired by Non-Executive Director, Michael Carr, and meets at least annually to agree remuneration policy for Executive Directors and other senior staff. The Committee also advises on the direction of the overall remuneration strategy for all staff. The Non-Executive Chairman, Sir Rob Margetts CBE, and Non-Executive Director, Piers White MBE also serve on the Remuneration Committee. The Committee is supported and advised by the Acting Director General and Chief Executive, the Chief Financial Officer and the Shareholder representative from BIS. These Executive Directors are not present for discussions on matters concerning their own remuneration.

Payment for loss of office

In the event of an early termination of a Director's contract there is a six month notice period and the Director is eligible for the Civil Service Compensation Scheme. Otherwise a Director is required to give a minimum of three months notice if he wishes to leave the organisation.

Directors' remuneration (audited)

The most senior members and key decision makers of Ordnance Survey are the members of the Strategy Board and Executive Committee. Their salary and the value of any taxable benefits in kind were as follows:

	2013-14				
	Salary and fees*	Performance related pay*	Benefits in kind**	Value of pension benefits*	Total*
	£'000	£'000	£	£'000	£'000
Dr Vanessa Lawrence CB Director General and Chief Executive (until 14 April 2014)	190-195	10-15	-	40-45	245-250
Neil Ackroyd Director, and Acting Director General and Chief Executive (from 15 April 2014)	130-135	25-30	4,800	40-45	205-210
Ian Nunn Director	120-125	20-25	-	45-50	190-195
Peter ter Haar Director	105-110	10-15	3,600	20-25	145-150
Bob Goodrich Director (to 31 March 2014)	55-60	0	-	5-10	65-70

	2012-13				
	Salary and fees*	Performance related pay*	Benefits in kind**	Value of pension benefits*	Total*
	£'000	£'000	£	£'000	£'000
Dr Vanessa Lawrence CB Director General and Chief Executive	190-195	10-15	-	20-25	225-230
Neil Ackroyd Director	120-125	15-20	4,800	45-50	190-195
Ian Nunn Director (from 5 November 2012)	45-50 120-125 fye	5-10	-	10-15	65-70
Peter ter Haar Director	105-110	10-15	3,500	35-40	150-155
Bob Goodrich Director	65-70	5-10	-	0	70-75

fye = full year equivalent

* Bandings of remuneration are as required by the Government Financial Reporting manual.

** Benefits provided are motor vehicles.

Andrew Loveless was appointed to the Executive Committee on 10 February 2014 as Commercial Director. His services are procured through Audeliss Limited who were paid £34,125 for his services in the year.

Katie Powell was appointed to the Executive Committee on 24 February 2014 as Director of Marketing and Communications. Her services are procured through Audeliss Limited who were paid £22,560 for her services in the year.

During the year, Bob Goodrich left under an early retirement programme. A contractual payment of £47,566 was made in respect of his early retirement. The early retirement came about when his role as Director of Information Systems was merged with that of the Director of Operations.

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

Salary and fees

Salary includes gross salary, plus accrued earnings to the extent that they are subject to UK taxation. This report is based on accrued payments made and recorded in these accounts.

Performance related pay

A proportion of each Director's pay is dependant upon performance. Between 10% and 20% of gross salary is available as an additional payment based on performance.

Directors' performance related pay is assessed on seven criteria, three financial – revenue, operating profit and core costs; three non-financial measures – investment project delivery, leadership and customer service and an individual performance measure. Each Director is given an individual weighting of the six corporate measures. Overall the weighting on the financial measures is 40%, a further 30% is attributed to the non-financial measures and the individual measure accounts for the remaining 30%.

Based on these performance measures each Director is eligible for performance related pay up to 20% of gross salary, except for Dr Vanessa Lawrence CB, who is eligible for up to 10%.

The performance measures for the year were as follows:

	Targets 2013-14	40% payment	70% payment	100% payment	Definition	Achieved
Revenue	£144.3m	98.0%	100.0%	102.0%	Group revenue target	98.7%
Operating profit	£31.1m	95.0%	100.0%	105.0%	Operating profit target	102.9%
Core cost	£68.7m	105.0%	100.0%	95.0%	Adjusted running costs	94.5%
Investments	5,000	3,000	4,000	5,000	Points target is derived from the number of projects and their priority progressing through our internal gateway process	2,386
Leadership	66.0%	63.0%	66.0%	69.0%	Leadership is measured by the average position across three externally used groups of measures in the annual staff survey	63.0%
External customer service	78.4%	76.8%	77.6%	78.4%	Total Corporate Customer Service Index (CSI) response from the full year external survey	77.6%

The Remuneration Committee has the power to exercise discretion in deciding final awards under the performance related pay scheme. This year the Remuneration Committee applied discretion to increase the individual awards of two of the Directors to their maximum.

Value of pension benefits

The total value of pension represents the real increase in pension multiplied by 20 plus the real increase in any lump sum, less contributions made by the Director. Where this results in a decrease, no value is included.

Benefits in kind

This is the monetary value of benefits in kind provided by the employer and treated by the HM Revenue and Customs as a taxable emolument.

Fair pay disclosures

Reporting bodies are required to disclose the relationship between the salary of the most highly paid Director in their organisation and the median earnings of the organisation's workforce.

The salary and taxable benefits of the most highly paid Director in the financial year 2013-14 was £202,500 (2012-13: £202,500), this was 6.7 times (2012-13: 6.6) the median salary and taxable benefits of the workforce, which was £30,325 (2012-13: £30,797).

No employees received remuneration in excess of the highest paid Director.

Directors' pensions (audited)

	Real increase in pension and related lump sum at age 60	Total accrued pension at 60 at 31 March 2014 and related lump sum	Cash Equivalent Transfer Value (CETV) at 31 March 2014	CETV at 31 March 2013	Real increase in CETV after adjustment for inflation and changes in market investment factors
	£'000	£'000	£'000	£'000	£'000
Dr Vanessa Lawrence CB Director General and Chief Executive (until 14 April 2014)	2.5–5 less 0–2.5 lump sum	45–50 plus 15–20 lump sum	742	661	28
Neil Ackroyd Director, and Acting Director General and Chief Executive (from 15 April 2014)	2.5–5 plus 0–2.5 lump sum	25–30 plus 5–10 lump sum	431	367	33
Ian Nunn Director	2.5–5	0–5	56	15	30
Peter ter Haar Director	0–2.5	10–15	209	174	16
Bob Goodrich Director (to 31 March 2014)	0–2.5 plus 0–2.5 lump sum	10–15 plus 40–45 lump sum	304	290	8

The Director General and Chief Executive and Directors in the table above are members of the Principal Civil Service Pension Scheme (PCSPS). Details of the scheme are contained in Note 4 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 and Vanessa Lawrence is also a member of the Civil Service Supplementary (Earnings Cap) Pension Scheme 1994. This latter scheme 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.

Vanessa Lawrence resigned as Director General and Chief Executive Officer on 14 April 2014. It was agreed in March 2014 that she would remain an employee of Ordnance Survey until 31 December 2014, fulfilling the role of Secretary General, Ordnance Survey International LLP. It was further agreed that a non-contractual payment of £315,000 will be made to Vanessa Lawrence's pension fund on 31 December 2014, under the terms of a voluntary compensation scheme. This payment has been authorised by Cabinet Office in accordance with Civil Service rules, and is not included in the tables on page 33 and above.

Peter ter Haar is a member of the Premium Scheme and Ian Nunn is a member of the Nuvos scheme.

The table above shows the member's Cash Equivalent Transfer Value (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 that 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.

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 three years with the option for this to be extended for a further three years. By exception and on completion of the three year optional period, any further extension is offered under mutually agreed terms.

Payments to Non-Executive Directors (audited)

Ordnance Survey Non-Executive Directors are not Ordnance Survey employees and are not members of the Principal Civil Service Pension Scheme. Their remuneration is paid after deduction of PAYE and NIC through the Ordnance Survey payroll.

Remuneration paid to Non-Executive Directors was as follows:

	2013-14	2012-13
	£'000	£'000
Sir Rob Margetts CBE	50-55	50-55
Piers White MBE	15-20	15-20
Michael Carr	15-20	15-20

A further payment of £10,000 per annum is made to Ensus Limited in respect of the office services for Sir Rob Margetts CBE.

The inclusion of a Directors' remuneration report containing information about the salary and benefits of the senior managers and key decision makers' of Ordnance Survey is a requirement of the Government Financial Reporting Manual (FRM). The actual salary, performance related pay and benefits 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 37 of the Annual Accounts, the remaining elements are unaudited.



Neil Ackroyd
Acting Director General and Chief Executive
12 June 2014

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 2014 under the *Government Trading Funds Act 1973*. These comprise: the Consolidated Income Statement, the Consolidated and Trading Fund Statement of Comprehensive Income, the Consolidated and Trading Fund Statement of Financial Position, the Consolidated and Trading Fund Statement of Changes in Taxpayers' Equity, the Consolidated and Trading Fund Statement of Cash Flows, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Ordnance Survey's affairs as at 31 March 2014 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the *Government Trading Funds Act 1973* and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the *Government Trading Funds Act 1973*; and
- the information given in the Highlights of the year, Strategic report and the Directors' report sections in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General

17 June 2014

National Audit Office
157–197 Buckingham Palace Road
Victoria
LONDON
SW1W 9SP

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.

FINANCIAL STATEMENTS

Consolidated income statement

For year ended 31 March 2014	Note	31 March 2014	31 March 2013
		£'000	£'000
Revenue	2	144,216	141,876
Operating costs	3	(115,818)	(112,658)
Share of results of joint ventures	11	3,293	3,236
Other operating costs	23	(26)	(203)
Operating profit		31,665	32,251
Finance income	5	284	230
Finance cost	5	(226)	(1,014)
Profit on ordinary activities		31,723	31,467
Attributable to Public Dividend Capital Equity holders		32,054	31,467
Non-controlling interests		(331)	-
		31,723	31,467
Dividends payable	7	(19,400)	(20,400)
Profit retained for the year		12,654	11,067
Attributable to Public Dividend Capital Equity holders		12,654	11,067

All the activities of the group are classified as continuing.

Consolidated statement of comprehensive income

For year ended 31 March 2014	Note	31 March 2014	31 March 2013
		£'000	£'000
Net profit for the year		12,654	11,067
Gains on revaluation of non-current assets	20	730	3,779
Total comprehensive income for the year		13,384	14,846
Attributable to Public Dividend Capital Equity holders		13,384	14,846

Trading Fund statement of comprehensive income

For year ended 31 March 2014	Note	31 March 2014	31 March 2013
		£'000	£'000
Net profit for the year		11,803	6,743
Gains on revaluation of non-current assets	20	730	3,779
Total comprehensive income for the year		12,533	10,522
Attributable to Public Dividend Capital Equity holders		12,533	10,522

Consolidated statement of financial position

As at 31 March 2014	Note	31 March 2014	31 March 2013
		£'000	£'000
Non-current assets			
Intangible assets	8	68,712	65,692
Property, plant and equipment	9	35,383	39,951
Share of net assets of joint ventures	11	3,795	4,640
		107,890	110,283
Current assets			
Inventories	12	1,897	1,811
Trade and other receivables	13	19,251	17,645
Cash and cash equivalents	26	51,464	40,803
		72,612	60,259
Total assets		180,502	170,542
Current liabilities			
Trade and other payables	14	(12,046)	(13,927)
Provisions for liabilities and charges	17	(1,408)	(1,505)
Deferred revenue	15	(6,857)	(6,955)
		(20,311)	(22,387)
Net current assets		52,301	37,872
Non-current assets plus net current assets		160,191	148,155
Non-current liabilities			
Provisions for liabilities and charges	17	(1,660)	(2,836)
Obligations under finance lease	16	(54)	(146)
Deferred revenue	15	(44)	(93)
Total liabilities		(22,069)	(25,462)
Net assets		158,433	145,080
Equity			
Public dividend capital	18	34,000	34,000
Revaluation reserve	20	7,609	8,192
Retained earnings	21	116,855	102,888
Equity attributable to Public Dividend Capital Equity holders		158,464	145,080
Non-controlling interests		(31)	-
Total equity		158,433	145,080

The financial statements were approved by the Board of Directors and authorised for issue on 12 June 2014. They were signed on its behalf by:



Neil Ackroyd

Acting Director General and Chief Executive

The notes on pages 46 to 73 are an integral part of these financial statements.

Trading Fund statement of financial position

As at 31 March 2014	Note	31 March 2014	31 March 2013
		£'000	£'000
Non-current assets			
Intangible assets	8	68,706	65,539
Property, plant and equipment	9	35,383	39,951
Investment in subsidiary	10	400	1,000
Share of net assets of joint ventures	11	3,795	4,640
		108,284	111,130
Current assets			
Inventories	12	1,897	1,811
Trade and other receivables	13	20,644	17,962
Cash and cash equivalents	26	49,930	40,754
		72,471	60,527
Total assets		180,755	171,657
Current liabilities			
Trade and other payables	14	(12,057)	(13,966)
Provisions for liabilities and charges	17	(1,408)	(1,505)
Deferred revenue	15	(6,735)	(6,847)
		(20,200)	(22,318)
Net current assets		52,271	38,209
Non-current assets plus net current assets		160,555	149,339
Non-current liabilities			
Provisions for liabilities and charges	17	(1,660)	(2,836)
Obligations under finance lease	16	(54)	(146)
Deferred revenue	15	(44)	(93)
Total liabilities		(21,958)	(25,393)
Net assets		158,797	146,264
Equity			
Public dividend capital	18	34,000	34,000
Revaluation reserve	20	7,609	8,192
Retained earnings	21	117,188	104,072
Total equity attributable to Public Dividend Capital Equity holders		158,797	146,264

The financial statements were approved by the Board of Directors and authorised for issue on 12 June 2014. They were signed on its behalf by:



Neil Ackroyd

Acting Director General and Chief Executive

The notes on pages 46 to 73 are an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 March 2014	Note	Public dividend capital	Retained earnings	Non-controlling interest	Revaluation reserve	Total
		£'000	£'000	£'000	£'000	£'000
As at 1 April 2012		34,000	91,722	-	4,512	130,234
Profit for the year		-	31,467	-	-	31,467
Transfer from revaluation reserve	20	-	99	-	(99)	-
Revaluation gains for the year	20	-	-	-	3,779	3,779
Total comprehensive income attributable to public dividend capital holders		-	31,566	-	3,680	35,246
Dividends payable	7	-	(20,400)	-	-	(20,400)
At 31 March 2013		34,000	102,888	-	8,192	145,080
Profit for the year		-	32,054	-	-	32,054
Non-controlling interest in statement of financial position		-	-	(31)	-	(31)
Transfer from revaluation reserve	20	-	1,313	-	(1,313)	-
Revaluation gains for the year	20	-	-	-	730	730
Total comprehensive income attributable to public dividend capital holders		-	33,367	(31)	(583)	32,753
Dividends payable	7	-	(19,400)	-	-	(19,400)
As at 31 March 2014		34,000	116,855	(31)	7,609	158,433

The notes on pages 46 to 73 are an integral part of these financial statements.

Trading Fund statement of changes in equity

For the year ended 31 March 2014	Note	Public dividend capital	Retained earnings	Revaluation reserve	Total
		£'000	£'000	£'000	£'000
At 1 April 2012		34,000	97,230	4,512	135,742
Profit for the year		–	27,143	–	27,143
Transfer from revaluation reserve	20	–	99	(99)	–
Revaluation gains for the year	20	–	–	3,779	3,779
Total comprehensive income attributable to public dividend capital holders		–	27,242	3,680	30,922
Dividends payable	7	–	(20,400)	–	(20,400)
As at 31 March 2013		34,000	104,072	8,192	146,264
Profit for the year		–	31,203	–	31,203
Transfer from revaluation reserve	20	–	1,313	(1,313)	–
Revaluation gains for the year	20	–	–	730	730
Total comprehensive income attributable to public dividend capital holders		–	32,516	(583)	31,933
Dividends payable	7	–	(19,400)	–	(19,400)
As at 31 March 2014		34,000	117,188	7,609	158,797

The notes on pages 46 to 73 are an integral part of these financial statements.

Consolidated cash flow statement

For the year ended 31 March 2014	Note	31 March 2014	31 March 2013
		£'000	£'000
Cash inflow from operating activities	25	41,299	46,216
Cash flows from investing activities			
Interest received		284	230
Interest paid		-	(71)
Purchase of plant, property and equipment		(2,227)	(2,411)
Proceeds from disposal of plant, property and equipment		17	-
Expenditure on intangible assets		(12,026)	(10,596)
Receipt of profit share from joint ventures		4,050	900
Receipt of loan repayments from joint ventures		90	2,727
Net cash used in investing activities		(9,812)	(9,221)
Cash flows from financing activities			
Dividends paid		(20,600)	(19,200)
Repayment of loans to the National Loans Fund		-	(3,000)
Cash payments relating to early release costs		(226)	(2,774)
Net cash used in financing activities		(20,826)	(24,974)
Net increase in cash and cash equivalents		10,661	12,021
Cash and cash equivalents at beginning of year		40,803	28,782
Cash and cash equivalents at end of year	26	51,464	40,803

The notes on pages 46 to 73 are an integral part of these financial statements.

Trading Fund cash flow statement

For the year ended 31 March 2014	Note	31 March 2014	31 March 2013
		£'000	£'000
Cash inflow from operating activities	25	40,477	46,259
Cash flows from investing activities			
Interest received		284	230
Interest paid		-	(71)
Purchase of plant, property and equipment		(2,227)	(2,411)
Proceeds from disposal of plant, property and equipment		17	-
Expenditure on intangible assets		(12,026)	(10,593)
Investment in subsidiary		(663)	-
Receipt of profit share from joint ventures		4,050	900
Receipt of loan repayments from joint ventures		90	2,727
Net cash used in investing activities		(10,475)	(9,218)
Cash flows from financing activities			
Equity dividends paid		(20,600)	(19,200)
Repayment of loans to the National Loans Fund		-	(3,000)
Cash payments relating to early release costs		(226)	(2,774)
Net cash used in financing activities		(20,826)	(24,974)
Net increase in cash and cash equivalents		9,176	12,067
Cash and cash equivalents at beginning of year		40,754	28,687
Cash and cash equivalents at end of year	26	49,930	40,754

The notes on pages 46 to 73 are an integral part of these financial statements.

Notes to the consolidated financial statements

1 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with the 2013–14 Government Financial Reporting Manual (FRM). The accounting policies contained in the FRM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FRM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Ordnance Survey for the purpose of giving a true and fair view has been selected.

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment and intangible assets.

The Board of Ordnance Survey, supported by the Department for Business, Innovation and Skills, are considering whether a transfer of our business from a Trading Fund to Government-owned Company (GovCo) would be beneficial. If a change in status were to happen, the Government would retain a 100% ownership of the GovCo and it is expected that all assets, liabilities and contracts of the group would transfer to the GovCo. Any decision on the transfer is likely to be made before 30 September 2014, but at the date of signing these accounts the Directors believe that it is uncertain as to the final decision, and having given consideration to other factors that may influence Ordnance Survey over the coming 12 months, believe that it is appropriate that these accounts for the group and Trading Fund are prepared on the going concern basis.

Accordingly, having reviewed the factors that could impact on the going concern of the Group, the directors have concluded that no material uncertainties exist that cast significant doubt about the ability of the Group to continue as a going concern for at least the next 12 months and the financial statements have therefore been prepared on the going concern basis.

1.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of Ordnance Survey and entities

controlled by Ordnance Survey. Control is achieved where Ordnance Survey has the power to govern the financial and operating policies of an entity, so as to obtain benefit from its activities.

Where necessary adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra group transactions, balances, income and expenditure are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

1.3 Property, plant and equipment

Land and buildings comprise Ordnance Survey's head office in Southampton. Land and buildings are subject to a policy of annual revaluation and are carried at fair value.

The occupied land and buildings office premises are revalued by an external qualified valuer on an existing use basis (EUV) as a proxy to the fair value of the property. The revaluation, where materially different from that at which 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 of 40 years and is calculated with reference to the EUV.

Details of the values included in these financial statements are contained in Note 9.

The minimum level for capitalisation of property, plant and equipment is £5,000 with the exception of Information Technology (IT) and support systems hardware, which is £1,000. All IT workstations (office computers and laptops) are grouped as one asset.

The value of property, plant and equipment, other than land and buildings, is restated annually to fair value, using appropriate indices published by the Office for National Statistics.

Subsequent costs are attached to the asset's carrying value, or recognised as a separate asset, as appropriate; only when it is probable that the future economic benefits associated with the item of expenditure will flow to the group, and

that the cost of the item can be reliably measured. The carrying amount of any replaced item is de-recognised. All other repairs and maintenance to tangible fixed assets are charged to the income statement in the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation are credited to the revaluation reserve within shareholders equity. Decreases that offset previous increases relating to the same asset are charged against this revaluation reserve directly within equity. Any other decrease in value of the asset is charged to the income statement.

For buildings, the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to the general reserve.

For other property, plant and equipment, a transfer occurs between the revaluation reserve and the general reserve upon disposal of the asset, thereby removing any remaining revaluation balance for that asset.

The depreciation policy applied to property, plant and equipment details the following useful lives to be applied to tangible fixed assets:

Freehold land	not depreciated
Freehold buildings	40 years from acquisition or remaining useful economic life
Equipment, facilities and fixtures	2 to 15 years
Vehicles	4 years
Assets under construction	not depreciated

Assets in course of construction are capitalised at cost and carried at cost less any recognised impairment loss. Cost includes all directly attributable costs including professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

1.4 Joint ventures

Joint ventures are entities over which Ordnance Survey has joint control with one or more other entities.

Ordnance Survey accounts for investments in joint ventures using the equity method of accounting, recording the

investment initially at cost. Adjustment is made in the Group accounts to ensure consistent application of Group accounting policies.

1.5 Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Internally generated intangible assets are capitalised if, an asset has been created which can be identified, it is probable that the asset will give rise to future economic benefit, and that the original cost can be reliably measured.

These assets are capitalised at the cost of development and subsequently revalued to depreciated replacement cost using appropriate indices.

Amortisation is charged on a straight line basis in order to write down the asset over its useful life. Intangible assets are tested for impairment annually. Useful lives are also reviewed on an annual basis and adjustments, where applicable, are made on a prospective basis. The useful lives of intangible assets are expected to fall within the following limits:

Geographic data	5 to 10 years
Data management delivery and business systems	5 to 10 years
Websites	3 to 5 years
Assets under construction	not amortised

Ordnance Survey's internally generated intangible assets consist of:

a) Geographic data

Geographic data represents the core datasets from which the business provides its products and services.

b) Data management delivery and business systems

The costs of data delivery and business systems include all directly attributable costs including the cost of purchased computer software licences used to develop the systems.

c) Website costs

Costs incurred due to the application and infrastructure development of a website are recognised as an intangible asset to the extent that the website will generate future economic benefits. Planning costs are expensed as incurred.

Further expenditure to maintain or enhance the website after development has been completed is recognised as an expense.

d) Assets in course of construction

Assets in course of construction are capitalised at cost and carried at cost less any recognised impairment loss. Amortisation of these assets commences when the assets are ready for their intended use.

1.6 Inventory and work in progress

Inventories and work in progress are stated at the lower of cost and net realisable value.

Cost comprises design costs, direct materials, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business less applicable variable selling expenses.

1.7 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less a provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the debt will not be recoverable according to the original terms of the receivables.

The amount of the impairment provision will be based on the difference between the asset's receivable amount and the present value of future estimated cash flows. Any impairment is recognised in the income statement.

1.8 Cash and cash equivalents

Cash and cash equivalents include cash at bank, cash in hand and any amounts on short-term deposits, typically less than six months.

1.9 Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost adjusted for fair value movements.

1.10 Loans

Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost, adjusted for fair value movements.

Any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings.

Borrowings are recognised as current liabilities unless there exists an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs on qualifying assets are capitalised as part of the cost of the asset.

1.11 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the obligation.

Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation and are discounted to present value, where material.

1.12 Employee benefits

a) Pensions

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS); details are outlined in Note 4 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). These 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.

b) Early release costs

A provision is recognised in the financial year for the full cost of the pension contributions of employees who have been 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 2013 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. 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).

The requirement of IAS 37 Provisions, Contingent Liabilities and Contingent Assets 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.

1.13 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the delivery of mapping goods and services, which comprises mapping data, information, customer-tailored services and copyright revenue, in the ordinary course of business. Revenue is shown net of VAT and discounts.

Ordnance Survey recognises revenue once the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and when specific other criteria are met for each of the activities shown below.

OS OpenData revenue is recognised over the length of the agreement with the customer, reflecting the obligation to maintain accurate datasets.

Public Sector Mapping Agreement (PSMA) revenue is recognised over the length of the agreement with HM Government, reflecting customer usage and Ordnance Survey's commitment to provide updates.

Direct Licences – Licences which allow the customer to use Ordnance Survey data for internal purposes only. The revenue deriving from these licences is recognised over the length of the licence agreement (usually 12 months) as this reflects the usage of the data by the customer and Ordnance Survey's commitment to provide updates.

Partner Licences – Licences which enable the customer to add value to Ordnance Survey data and re-sell the product to third parties. Revenue from royalty fees is recognised when Ordnance Survey becomes entitled to receive a royalty from an onward sale of Ordnance Survey data.

Paper maps – Revenue from paper map sales is recognised when the risks and rewards of ownership pass to the customer.

Services – Revenue from services is recognised at the point at which the service is performed by Ordnance Survey.

Rental – Rental income is recognised on a monthly basis and any revenues received in advance or arrears are deferred or accrued as appropriate.

Unpaid invoices for licence fees which relate to periods after the balance sheet date are included in the trade receivables balance. The net invoiced value relating to revenue to be recognised in the period after the balance sheet date is recorded in current and long-term creditors as deferred income.

1.14 Investment income

Investment income is accrued on a time basis by reference to the amount outstanding and at the effective interest rate applicable.

1.15 Leases

a) Operating leases

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the length of the lease.

b) Finance leases

Leases are classified as finance leases when the terms of the lease transfer substantially all risks and rewards of ownership to Ordnance Survey. Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased item and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

1.16 Taxation

As a Trading Fund, Ordnance Survey is not liable for corporation tax, although subsidiary companies may be liable for corporation tax.

Current taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss account, because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated, but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date, with certain limited exceptions.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1.17 Foreign currency transactions

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling at the dates of the transactions. Exchange rate differences are charged to the Income 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.

1.18 Financial instruments

Ordnance Survey has classified its financial instruments as follows:

- a) Financial assets
 - Fixed deposits including funds held with banks and trade receivables are classified as cash at bank and receivables respectively.
 - Investments (other than joint ventures) and short-term deposits are classified as available for sale.

Receivables are initially recognised at fair value on the trade date, and subsequently adjusted for doubtful debts. These are included within current assets unless expected maturity is more 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 Comprehensive Income.

- b) Financial liabilities
 - Trade payables and borrowings are classified as loans and receivables.

Loans 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 liabilities, unless expected maturity is more than 12 months after the balance sheet date.

1.19 Critical accounting estimates and judgements

In applying the group's accounting policies set out above, management is required to make certain estimates and judgements concerning the future. These estimates and judgements are regularly reviewed and updated as necessary. The estimates and judgements that have the most significant effect on the amount included in these financial statements are as follows:

Development costs – Ordnance Survey capitalises development costs when the project meets certain criteria. Costs are only capitalised if they can be reliably measured and the project has been approved by the Investment Group within Ordnance Survey. Prior to this approval all project costs are expensed.

Revenue recognition – Ordnance Survey recognises royalty revenue based on returns from partners. These returns are provided on a timely basis, usually quarterly. A degree of judgement is required by management to accrue for the revenue as it is earned.

Impairment of assets – Property, plant and equipment and intangible assets are considered for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and, where it is a component of a larger economic unit, the viability of that unit itself.

Future cash flows expected to be generated by the assets are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to current value.

Doubtful accounts – Doubtful accounts are reported at the amounts likely to be recovered based on historic experience of customer default. As soon as it is learned that a particular account is subject to risk over and above the normal credit risk the account is analysed and written down if circumstances indicate that the receivable is not collectable in full.

1.20 Investments

Investments held as non-current assets are stated at cost less provision for permanent diminution in value.

1.21 Segmental reporting

Ordnance Survey reports its results and statement of financial position as a whole entity as it does not have separately identifiable reporting segments as defined by the FReM.

The Board receives an analysis of revenue by channel and operating segments and this is presented in note 2.

Costs are not analysed by channel or segment as Ordnance Survey does not match its costs to any revenue classification.

1.22 Adoption of new and revised standards

Financial Reporting Manual accounting policies have been adopted in full.

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue, but not yet effective (and in some cases had not yet been adopted by the EU).

The following standards and interpretations are not expected to have a material impact on the group:

IAS 27 – Separate Financial Statements – an amended version of IAS 27 has been issued which deals with the requirement for separate financial statements.

IAS 28 Revised – Investments in Associates and Joint Ventures – this standard supersedes IAS 28 and prescribes the accounting for investments in associates and sets out requirement for the application of the equity method.

IFRS 9 – Financial Instruments – the standard introduces new requirements for classifying and measuring financial assets.

IFRS 10 – Consolidated Financial Statements – this standard replaces the requirements of IAS 27 and sets out the principals of control.

IFRS 11 – Joint Arrangements – requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved and account for its rights and obligations accordingly.

IFRS 12 – Disclosure of Interests in Other Entities – requires disclosure of information that enables users to evaluate the nature of interests in other entities.

IFRS 13 – Fair Value Measurement – provides guidance to determine fair value and requires disclosure about fair value measurements.

2 Revenue

	2013-14	2012-13
	£'000	£'000
Trading revenue	142,526	140,235
Other operating activities	1,655	1,523
Property rental income	35	118
	144,216	141,876
Trading revenue by channel		
Direct licences	106,001	109,418
Partner licences	23,399	20,804
Paper maps	7,782	8,176
Services	5,344	1,837
	142,526	140,235
Trading revenue by operating segment		
Business to government	69,006	67,971
OS OpenData	20,000	20,000
Business to business	44,485	42,804
Business to consumer	9,035	9,460
	142,526	140,235
Trading revenue by geographic market		
United Kingdom	137,597	136,447
Other European countries	2,426	2,269
Rest of the World	2,503	1,519
	142,526	140,235

Revenues are attributed by country, based on the location of the entity to whom Ordnance Survey provide the product or service. No details are available of the location of the ultimate end user.

Costs are not analysed by channel or segment as Ordnance Survey does not match its costs to any specific revenue classification. The Board of Directors routinely receives a breakdown of revenue as shown above. Accordingly the profitability of revenue channel and segments is not analysed. For the same reason, it is not possible to segment the balance sheet.

During the current year, one customer accounted for more than 10% of turnover (2012-13: One). The revenue received from this customer is secured under separate long-term agreements, with the majority of the term yet to expire.

Ordnance Survey's operating revenue is principally generated by sales of mapping data, information, customer-tailored services and copyrights or copyright material.

3 Operating costs

Operating profit for the year has been arrived at after charging:

	Note	2013-14	2012-13
		£'000	£'000
Staff costs	4	47,599	47,178
Amortisation of intangible assets	8	10,383	8,834
Depreciation of tangible fixed assets	9	5,721	4,965
Impairment of property plant and equipment	9	383	1,347
Research and development costs		237	191
Other operating charges		51,495	50,143

Within other operating charges are the following:

	2013-14	2012-13
	£'000	£'000
Operating lease charges – buildings	542	581
Operating lease charges – plant, machinery and equipment	1,670	1,706
Fees payable to auditor for the audit of the statutory annual accounts	106	96
Fees payable to auditor for other services	–	–

4 Staff numbers and costs

Total staff costs

The aggregate payroll costs were as follows:

	2013-14	2012-13
	£'000	£'000
Wages and salaries – permanent employees	36,968	34,156
Social security costs	3,268	3,163
Pension costs	7,165	6,731
Additional early release costs in year	278	361
Temporary/agency contract labour costs	10,068	11,992
	57,747	56,403
Capitalised permanent labour	(4,894)	(3,606)
Capitalised temporary/agency contract labour	(5,254)	(5,619)
	47,599	47,178

Total permanent staff numbers including Directors

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

	2013-14	2012-13
Operations	865	799
Sales and Market Development	133	128
Corporate Services	146	141
	1,144	1,068
Capitalised permanent labour	(117)	(80)
	1,027	988

Directors' remuneration can be found in the *Directors' remuneration report*.

Total temporary/agency/contract staff

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

	2013-14	2012-13
Operations	112	105
Sales and Market Development	11	9
Corporate Services	12	34
	135	148
Capitalised temporary labour	(71)	(86)
	64	62

Employee benefits

IAS 19 'Employee benefits' states that a liability exists where an employee has provided services in exchange for employee benefits to be paid in the future and an expense should be recognised when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

This results in the need to provide for holiday pay that has been accrued, but has not yet been taken as at the year end.

Ordnance Survey's holiday year runs from April to March and the payroll records were reviewed to ascertain the amount of holiday accrued, but not yet taken, as at 31 March 2014.

The figure above for wages and salaries includes a charge of £20,000 (2012-13: £82,000) in respect of additional annual leave earned, but not taken, as at 31 March 2014. The total liability of £846,000 (2012-13: £826,000) is included within other payables within note 14 of these financial statements.

Pension costs

For 2013–14, employer’s contributions of £7,165,000 (2012–13: £6,731,000) were payable to the PCSPS at one of four rates in the range 16.4% to 24.3% of pensionable pay, 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 2013–14 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

In 2013–14, there were nil (2012–13: one) retirements on ill-health grounds amounting to an additional accrued pension liability in the year of nil.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, but Ordnance Survey is unable to identify its share of the underlying assets and liabilities due to pooling of the assets and liabilities being paid out of this pool. 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). No information is available regarding the overall surplus or deficit of the scheme.

Ordnance Survey employees are members of one of the following; the Classic or Classic Plus schemes, the Premium scheme, the Partnership Pension Account or Nuvos.

Early release costs provided for in financial year

The Income Statement includes a charge of £278,000 (2012–13: £361,000) in respect of new leavers identified in 2013–14. This charge reflects the costs of leavers identified and confirmed by 31 March 2014.

Early Release package cost band	2013–14	2012–13
< £10,000	–	–
£10,000 – £25,000	6	3
£25,000 – £50,000	3	8
£50,000 – £100,000	1	–
£100,000 – £150,000	–	–
£150,000 – £200,000	–	–
> £200,000	–	–
Total number of exit packages by type	10	11
Total cost £'000	278	361

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme under the *Superannuation Act 1972*. Early release costs are accounted for as described in Note 1.12. Where Ordnance Survey has agreed early retirements, the additional costs are met by Ordnance Survey and not by the Civil Service Pension Scheme.

5 Finance income/cost

	2013-14	2012-13
	£'000	£'000
Finance income		
Balances at the account with HM Paymaster	32	55
Short-term deposits with the National Loans Fund	252	175
	284	230
Finance cost		
On deemed loans	-	(72)
Financing charges – unwind of provision discount	(226)	(942)
	(226)	(1,014)

6 Taxation

No charge to Corporation Tax has arisen in the year.

Ordnance Survey

As a Trading Fund Ordnance Survey is outside the scope of UK Corporation Tax.

Ordnance Survey Leisure Limited

Ordnance Survey Leisure Limited generated a loss before tax of £1,208,000 (2012-13: £1,710,000). On this loss, no amounts are due in respect of Corporation Tax (2012-13: Nil). The company has estimated tax losses of £7,157,000 (2012-13: £6,995,000) available to carry forward against future profits of the same trade. No deferred taxation asset has been recognised due to uncertainty over the timing of taxable profits.

Astigan Limited

Astigan Limited generated a loss before tax of £676,000. On this loss no amounts are due in respect of Corporation Tax. The company has estimated tax losses of £676,000 available to carry forward against future profits of the same trade. No deferred taxation asset has been recognised due to uncertainty over the timing of taxable profits.

7 Dividends

	2013-14	2012-13
	£'000	£'000
Amounts recognised as distributions to Public Dividend Capital equity holders in the year:		
Dividend for the year ended 31 March	19,400	20,400
	19,400	20,400

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

The final dividend for 2012-13 of £1,400,000 was paid in 2013-14. The full dividend for 2013-14 is £19,400,000 of which an interim dividend of £19,200,000 was paid during the year. A final dividend of £200,000 is included in these accounts as it represents a liability at the date of the statement of financial position (see Note 14). Dividends are declared and recognised in the financial year to which they relate.

8 Intangible assets

Group	Geographic data	Data delivery/ business systems	Websites	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2012	22,935	76,424	2,613	5,604	107,576
Additions	–	378	–	10,218	10,596
Revaluation	143	1,516	8	–	1,667
Reclassification	690	8,371	406	(9,467)	–
At 31 March 2013	23,768	86,689	3,027	6,355	119,839
Additions	–	–	–	12,026	12,026
Disposals	–	(4,725)	–	–	(4,725)
Revaluation	141	1,311	8	–	1,460
Reclassification	443	5,767	490	(6,783)	(83)
At 31 March 2014	24,352	89,042	3,525	11,598	128,517
Amortisation					
At 1 April 2012	17,813	24,259	2,608	633	45,313
Charge in year	2,139	6,419	276	–	8,834
At 31 March 2013	19,952	30,678	2,884	633	54,147
Charge in year	1,565	8,038	780	–	10,383
Disposals	–	(4,725)	–	–	(4,725)
Reclassification	(228)	439	(211)	–	–
At 31 March 2014	21,289	34,430	3,453	633	59,805
Carrying book value at 31 March 2014	3,063	54,612	72	10,965	68,712
Carrying book value at 31 March 2013	3,816	56,011	143	5,722	65,692

Assets under the course of construction primarily consist of developments to our Geospatial Content Improvement Programme, with net book value of £4,183,000 (2012–13: Geospatial Database Management System, £2,559,000).

Intangible assets are carried at valuation representing fair value using indices, which approximate to an amortised replacement cost. These assets are capitalised at the cost of development and subsequently revalued to depreciated replacement cost using appropriate indices in accordance with HM Treasury Financial Reporting Manual.

Revaluations took place as at 31 March 2014.

The amortisation of £633,000 within assets under construction relates to an asset developed, which has not been brought into use and has been written down in accordance with IAS 38 'Intangible Assets'.

Trading Fund	Geographic data	Data delivery/ business systems	Websites	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 April 2012	22,935	71,694	2,613	5,604	102,846
Additions	–	376	–	10,218	10,594
Revaluation	143	1,516	8	–	1,667
Reclassification	690	8,371	406	(9,467)	–
At 31 March 2013	23,768	81,957	3,027	6,355	115,107
Additions	–	–	–	12,026	12,026
Disposals	–	–	–	(489)	(489)
Revaluation	141	1,311	8	–	1,460
Reclassification	443	5,768	–	(6,294)	(83)
At 31 March 2014	24,352	89,036	3,035	11,598	128,021
Amortisation					
At 1 April 2012	17,813	19,968	2,608	633	41,022
Charge in year	1,911	6,419	216	–	8,546
At 31 March 2013	19,724	26,387	2,824	633	49,568
Charge in year	1,565	8,043	139	–	9,747
At 31 March 2014	21,289	34,430	2,963	633	59,315
Carrying book value at 31 March 2014	3,063	54,606	72	10,965	68,706
Carrying book value at 31 March 2013	4,044	55,570	203	5,722	65,539

Assets under the course of construction primarily consist of developments to our Geospatial Content Improvement Programme, with net book value of £4,183,000 (2012–13: Geospatial Database Management System, £2,559,000).

Intangible assets are carried at valuation representing fair value using indices, which approximate to an amortised replacement cost. These assets are capitalised at the cost of development and subsequently revalued to depreciated replacement cost using appropriate indices in accordance with HM Treasury Financial Reporting Manual.

Revaluations took place as at 31 March 2014.

The amortisation of £633,000 within assets under construction relates to an asset developed, which has not been brought into use and has been written down in accordance with IAS 38 'Intangible Assets'.

9 Property, plant and equipment

Group and Trading Fund	Freehold land & buildings	Equipment, facilities & fixtures	Vehicles	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2012	32,584	26,883	42	59,509
Additions	–	2,411	–	2,411
Disposals	–	(2,166)	–	(2,166)
Revaluation	–	2,112	–	2,112
Impairment	(1,347)	–	–	(1,347)
At 31 March 2013	31,237	29,240	42	60,519
Additions	–	2,227	–	2,227
Disposals	–	(1,630)	(42)	(1,672)
Revaluation	–	(730)	–	(730)
Reclassification	–	83	–	83
Impairment	(383)	–	–	(383)
At 31 March 2014	30,854	29,190	–	60,044
Depreciation				
At 1 April 2012	1,084	16,441	42	17,567
Charged in year	653	4,312	–	4,965
Disposals	–	(1,964)	–	(1,964)
At 31 March 2013	1,737	18,789	42	20,568
Charged in year	617	5,104	–	5,721
Disposals	–	(1,586)	(42)	(1,628)
At 31 March 2014	2,354	22,307	–	24,661
Net book value at 31 March 2014	28,500	6,883	–	35,383
Net book value at 31 March 2013	29,500	10,451	–	39,951

As at 31 March 2014, the net book value of assets held under finance lease agreements was £188,000 (2013: £301,000). Depreciation charged in the year was £113,000 (2012–13: £92,000).

Fixed assets are carried at valuation, using indices, which approximate to a depreciated replacement cost. The value of property, plant and equipment, other than land and buildings, is restated annually to fair value, using appropriate indices published by the Office for National Statistics in accordance with HM Treasury Financial Reporting Manual.

Revaluations took place as at 31 March 2014.

Freehold land and buildings

The occupied land and buildings used in the principal business of Ordnance Survey are carried at the fair value of £28,500,000 (2013: £29,500,000), based on the Existing Use Value assessed by Jones Lang LaSalle on 31 March 2014. This valuation is based on the continued use of the land and buildings in the core Ordnance Survey business. The valuer has recognised and relevant professional qualifications, together with experience in the locality of the valued premises.

10 Investments

	Non-current	
	2014	2013
	£000	£000
Investments carried at fair value		
Value of shares at beginning of period	1,000	–
Additions	312	–
Loans converted to equity	–	3,924
Impairment	(912)	(2,924)
Value of shares at end of period	400	1,000
Loans receivable carried at amortised cost		
Value of loans at beginning of period	–	6,000
Additional loans	1,787	1,000
Loans converted to equity	–	(3,924)
Impairment	(1,787)	(3,076)
Value of loans at end of period	–	–
Total investments	400	1,000

The investment represents a 100% shareholding in Ordnance Survey Leisure Limited and 51% shareholding in Astigan Limited, which was incorporated in the year.

During the year, the investments were impaired by £2,699,000 (2012–13: £6,000,000). This follows a review of the historic and current trading cash generation of the investments, together with future forecasts, assessing their value in use to Ordnance Survey over the foreseeable future. Future cash flows were discounted at a rate of 6.5%, being the rate Ordnance Survey is assessed upon under the *Government Trading Funds Act (1973)*.

11 Subsidiaries and investments

Details of the Trading Fund's subsidiaries at 31 March 2014 are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Proportion of ordinary shares held
Ordnance Survey Leisure Limited	Consumer web applications	England and Wales	100%
Ordnance Survey Services Limited	Dormant	England and Wales	100%
Ordnance Survey GB Limited	Dormant	England and Wales	100%
Astigan Limited	Research	England and Wales	51%
Ordnance Survey Partners Limited	Non-trading holding company	England and Wales	100%

Name of subsidiary	Principal activity	Country of incorporation	Percentage control
Ordnance Survey International LLP	International consultancy	England and Wales	100%

Astigan Limited was established during the year and will research ways of reducing our long-term data capture costs.

The aggregate capital and reserves and loss for the year of the subsidiaries are:

	Aggregate capital and reserves	
	2014	2013
	£'000	£'000
Ordnance Survey Leisure Limited	(4,279)	(3,071)
Ordnance Survey Services Limited	-	-
Ordnance Survey GB Limited	-	-
Ordnance Survey International LLP	(489)	(310)
Astigan Limited	(63)	-
Ordnance Survey Partners Limited	-	-
	Loss for year	
	2013-14	2012-13
	£'000	£'000
Ordnance Survey Leisure Limited	(1,208)	(1,710)
Ordnance Survey Services Limited	-	-
Ordnance Survey GB Limited	-	-
Ordnance Survey International LLP	(179)	(310)
Astigan Limited	(676)	-
Ordnance Survey Partners Limited	-	-

Joint ventures

The share of results of joint ventures is as follows:

	2014	2013
	£'000	£'000
GeoPlace LLP	3,195	3,097
PointX Limited	98	139
	3,293	3,236

The share of net assets of joint ventures is as follows:

	2014	2013
	£'000	£'000
GeoPlace LLP	3,698	4,547
PointX Limited	97	93
	3,795	4,640

Other investments – PointX Limited

The investment in PointX Limited at 31 March 2014 is as follows:

	2014	2013
	£'000	£'000
Share of gross assets	262	271
Share of gross liabilities	(165)	(268)
Loan	-	90
Net assets	97	93

The operating results for PointX Limited for the financial year:

	2013-14	2012-13
	£'000	£'000
Revenue	988	1,097
Operating costs	(745)	(731)
Operating profit	243	366
Tax	(46)	(88)
Profit after tax	197	278
Ordnance Survey 50% share	98	139

PointX Limited is a joint venture company set up to develop and market a point of interest database covering Great Britain. Ordnance Survey is represented on the Board by two Directors at 31 March 2014. At 31 March 2014, Ordnance Survey owned 50% of the total shares in PointX Limited, being 500 (100%) £1 'A' ordinary shares. Another investor owned the remaining 500 'B' ordinary shares. All shares were ranked equally.

The registered office and principal place of business of PointX Limited is 6-7 Abbey Court, Eagle Way, Sowton, Exeter, Devon, EX2 7HY.

Other investments – GeoPlace LLP

The investment in GeoPlace LLP at 31 March 2014 is as follows:

	2014	2013
	£'000	£'000
Share of gross assets	4,448	5,231
Share of gross liabilities	(750)	(684)
Loan	-	-
Net investment	3,698	4,547

The net investment relates to Ordnance Survey's investment in GeoPlace LLP for consolidated accounts and amounts owed by GeoPlace LLP in the Trading Fund accounts.

The operating results for GeoPlace LLP for the financial year:

	2013-14	2012-13
	£'000	£'000
Revenue	10,453	10,104
Operating costs	(6,193)	(5,974)
Operating profit	4,260	4,130
Ordnance Survey 75% share	3,195	3,097

GeoPlace LLP is a joint venture limited liability partnership set up in 2010-11 to develop and market a national addressing product. GeoPlace LLP commenced trading on 1 April 2011 and is not subject to UK Corporation Tax.

GeoPlace LLP is a limited liability partnership so it does not have share capital. Ordnance Survey appoints 50% of the Board Members of the LLP and has a profit share in accordance with a members' agreement.

The registered office of GeoPlace LLP is Adanac Drive, Southampton, Hampshire, SO16 0AS.

12 Inventories

Group and Trading Fund	2014	2013
	£'000	£'000
Finished goods	1,897	1,811
	1,897	1,811

During the year, Ordnance Survey wrote off stock carried at £13,000 (2012-13: £87,000).

13 Trade and other receivables

Group	2014	2013
	£'000	£'000
Trade receivables	8,382	6,943
Allowance for doubtful debts	(239)	(429)
	8,143	6,514
Other receivables	64	173
Taxation and social security	–	199
Accrued revenue	6,401	5,254
Prepayments	4,643	5,274
Total trade and other receivables due in less than one year	19,251	17,414
Other receivables due over one year	–	231
Total receivables due over one year	–	231
	19,251	17,645

A breakdown of intra-government receivables is given in Note 24.

Notes:

(a) Bad debts totalling £62,000 (2012-13: £78,000) were written off in the year.

The fair value of trade and other receivables is not materially different to the book value above. Receivables less than three months past due are not considered for impairment unless specific circumstances give rise to indication of impairment as historical experience show these amounts as recoverable. Receivables are reviewed on a regular basis to assess the recoverability of the debt and a provision is made against them based on estimated recoverable amounts from the sales of goods/services determined by reference to past default experience. The value of receivables past due is shown in Note 27.

Before accepting any new customer, Ordnance Survey uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed on a regular basis.

Trading Fund	2014	2013
	£'000	£'000
Trade receivables	8,350	6,908
Trade receivables owed by group undertakings	105	115
Allowance for doubtful debts	(239)	(429)
	8,216	6,594
Other receivables	1,532	566
Taxation and social security	–	184
Accrued revenue	6,354	5,302
Prepayments	4,542	5,085
Total trade and other receivables due in less than one year	20,644	17,731
Other receivables due over one year	–	231
Total receivables due over one year	–	231
	20,644	17,962

14 Trade and other payables

Group	2014	2013
	£'000	£'000
Trade payables	418	254
Taxation and social security	1,883	1,695
Other payables	848	830
Dividends payable	200	1,400
Accruals	8,613	9,664
Finance lease due in less than one year	84	84
	12,046	13,927

Trading Fund	2014	2013
	£'000	£'000
Trade payables	375	233
Taxation and social security	1,894	1,695
Other payables	848	831
Amount owed to Group undertakings	187	159
Dividends payable	200	1,400
Accruals	8,469	9,564
Finance lease due in less than one year	84	84
	12,057	13,966

The fair value of trade and other payables is not materially different to the book values above.

A breakdown of intra-government payables is given in Note 24.

15 Deferred revenue

Group	2014	2013
	£'000	£'000
Current	6,857	6,955
Non-current	44	93
	6,901	7,048

Trading Fund	2014	2013
	£'000	£'000
Current	6,735	6,847
Non-current	44	93
	6,779	6,940

16 Obligations under finance lease

Group and Trading Fund	2014	2013
	£'000	£'000
Amounts payable under finance leases:		
Gross lease liabilities		
Within one year	84	84
In the second to fifth years inclusive	54	146
Net lease liabilities	138	230

The present value of the minimum lease payments is not materially different from the minimum lease payments shown above.

17 Provision for liabilities and charges

Group and Trading Fund	Early Release Provision	Other	Total
	£'000	£'000	£'000
As at 31 March 2013	4,228	113	4,341
Utilisation of provision	(1,756)	(21)	(1,777)
Additional provision in year	278	–	278
Unwinding of discount	226	–	226
As at 31 March 2014	2,976	92	3,068

	2014	2013
	£'000	£'000
Included in current liabilities	1,408	1,505
Included in non-current liabilities	1,660	2,836

See Note 1.12 for a full explanation of early release costs.

The above amount is estimated as falling due as follows:

	2014	
	Current liabilities	Non-current liabilities
	£'000	£'000
2013-14	1,371	-
2014-15	-	770
2015-16	-	437
2016-17	-	249
2017-23	-	149
	1,371	1,605
Other provisions	37	55
	1,408	1,660

Provisions are discounted at 2.2% in accordance with HM Treasury guidance.

In the other provisions balance is a provision for onerous leases as a result of regional office closures of £92,000 (2012-13: £113,000) which covers residual commitments to lease expiry, after application of a risk-factored allowance for anticipated sublet rental income, together with other sundry provisions.

18 Public dividend capital

Group and Trading Fund	2014	2013
	£'000	£'000
Public dividend capital	34,000	34,000
	34,000	34,000

Public dividend capital represents the deemed shareholding of the Department for Business, Innovation and Skills in Ordnance Survey.

19 Reserves

Group	2014	2013
	£'000	£'000
Revaluation reserve	7,609	8,192
Retained earnings	116,855	102,888
	124,464	111,080

Trading Fund	2014	2013
	£'000	£'000
Revaluation reserve	7,609	8,192
Retained earnings	117,188	104,072
	124,797	112,264

20 Revaluation reserve

Group and Trading Fund	2014			2013		
	Tangible assets	Intangible assets	Total	Tangible assets	Intangible assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at start of year	2,815	5,377	8,192	802	3,710	4,512
Arising on revaluation in year						
Increase	–	1,460	1,460	2,112	1,667	3,779
Decrease	(730)	–	(730)	–	–	–
Net revaluation (decrease)/increase	(730)	1,460	730	2,112	1,667	3,779
Realised gains and losses	(326)	(987)	(1,313)	(99)	–	(99)
Balance at 31 March	1,759	5,850	7,609	2,815	5,377	8,192

Revaluation reserves are not distributable to shareholders.

21 Retained earnings

Group	2014	2013
	£'000	£'000
Balance at start of year	102,888	91,722
Profit for the year	32,054	31,467
	134,942	123,189
Dividend payable	(19,400)	(20,400)
Transfer from revaluation reserve	1,313	99
Balance at 31 March	116,855	102,888

Trading Fund	2014	2013
	£'000	£'000
Balance at start of year	104,072	97,230
Profit for the year	31,203	27,143
	135,275	124,373
Dividend payable	(19,400)	(20,400)
Transfer from revaluation reserve	1,313	99
Balance at 31 March	117,188	104,072

22 Operating lease commitments

Group and Trading Fund	2014	2013
Minimum lease payments under operating leases recognised as an expense in the year	2,212	2,287

At 31 March 2014, Ordnance Survey has future minimum lease payments under non-cancellable operating leases as set out below:

Group and Trading Fund	2014	2013
	£'000	£'000
Within one year	334	65
Between two and five years	3,646	4,518

23 Other operating costs

Group and Trading Fund	2013-14	2012-13
	£'000	£'000
Loss on disposal of fixed assets	(26)	(203)
	(26)	(203)

24 Intra-government balances

Group – 31 March 2014	Receivables: falling due within one year	Receivables: falling due after more than one year	Payables: falling due within one year	Payables: falling due after more than one year
	£'000	£'000	£'000	£'000
Balances with :				
Other central government bodies	2,206	–	2,873	8
Local authorities	161	–	145	–
NHS trusts	3	–	–	–
Public corporations and trading funds	555	–	2,348	–
Bodies external to government	16,326	–	14,945	1,750
At 31 March 2014	19,251	–	20,311	1,758

Group – 31 March 2013	Receivables: falling due within one year	Receivables: falling due after more than one year	Payables: falling due within one year	Payables: falling due after more than one year
	£'000	£'000	£'000	£'000
Balances with :				
Other central government bodies	1,864	–	4,014	–
Local authorities	405	–	–	–
NHS trusts	5	–	–	–
Public corporations and trading funds	–	–	434	–
Bodies external to government	15,140	231	17,939	3,075
At 31 March 2013	17,414	231	22,387	3,075

25 Net cash inflow from operating activities

Consolidated	2013-14	2012-13
	£'000	£'000
Reconciliation of profit for the year to net cash flow from operating activities:		
Profit for the year	31,723	31,467
Adjustments for non-cash transactions:		
Depreciation of plant, property and equipment	5,721	4,965
Amortisation of intangible asset	10,383	8,834
Property impairment	383	1,347
Share of PointX Limited (profit)	(98)	(139)
Share of GeoPlace LLP (profit)	(3,195)	(3,097)
Finance expense/(income)	(59)	783
Loss on disposal of property/plant and equipment	26	203
Increase in inventories	(86)	7
Decrease/(increase) in trade and other receivables	(1,554)	2,001
(Increase) in trade and other payables	(1,003)	(437)
Movement in liabilities and provisions	(1,273)	282
Minority interest	331	-
Net cash inflow from operating activities	41,299	46,216

Trading Fund	2013-14	2012-13
	£'000	£'000
Reconciliation of profit for the year to net cash flow from operating activities:		
Profit for the year	31,203	27,143
Adjustments for non-cash transactions:		
Amortisation of intangible asset	5,721	4,965
Depreciation of plant, property and equipment	9,747	8,546
Impairment of investment	1,724	6,000
Property impairment	383	1,347
Share of GeoPlace LLP (profit)	(3,195)	(3,097)
Share of PointX Limited (profit)	(98)	(139)
Finance expense/(income)	(63)	783
Loss on disposal of property/plant and equipment	26	203
Increase in inventories	(86)	7
Decrease/(increase) in trade and other receivables	(2,587)	685
(Increase) in trade and other payables	(1,025)	(466)
Movement in liabilities and provisions	(1,273)	282
Net cash inflow from operating activities	40,477	46,259

26 Cash and cash equivalents

Group	2014	2013
	£'000	£'000
Balance held at Government Banking Service	734	6,099
Balance held in commercial banks and cash in hand	4,730	7,204
Cash on short-term deposit	46,000	27,500
	51,464	40,803

Trading Fund	2014	2013
	£'000	£'000
Balance held at Government Banking Service	734	6,099
Balance held in commercial banks and cash in hand	3,196	7,155
Cash on short-term deposit	46,000	27,500
	49,930	40,754

27 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 receivables, receivables owing from joint ventures, trade payables, provisions and loans. The main purpose of these financial instruments is to finance Ordnance Survey's operations.

The main risks arising from Ordnance Survey's financial instruments are credit, liquidity and interest rate risks. Ordnance Survey's policies for managing these risks 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.

Credit risk

Ordnance Survey is exposed to credit risk through its trade receivables 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 except in the consumer sector, where payment terms of 60 or 90 days prevail. The profile of past due debt not impaired is shown below:

	2014	2013
	£'000	£'000
Past due 0–30 days	576	1,923
Past due 31–60 days	283	548
Past due 61–90 days	30	1
Past 90 days	32	51
Total	921	2,523

In arriving at the provision against trade receivables the following have been taken into account:

- An individual account by account assessment of debt based on past credit history.
- A statistical approach to determine the historical allowance rate for each debt tranche, applying this to the debt tranche at the end of the period.
- Any prior knowledge of debtor insolvency or other credit risk.

Interest rate risk

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

Long-term loans have a fixed rate of interest.

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 of £15,000,000. Such loans, if taken, would usually be repayable within the year.

The summary of financial liabilities detailed on page 63 shows the earliest undiscounted contractual maturity dates for Ordnance Survey's debt.

Fair value hierarchy

IFRS 7 requires that an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value observable is given. The levels are as follows:

- Level 1 Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's financial instruments, recognised at fair value, all fall into the level 3 categorisation.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group does not have material transactions in foreign currencies.

The sensitivity analysis below has been determined based on the exposure to interest on the financial instrument balances at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At the reporting date, if interest rates had been 100 basis points higher and all other variables were held constant, the Group's net profit would increase by £648,000 (2012-13: profit increase of £321,000). This is mainly attributable to the Group's cash balances held with HM Treasury.

Interest rate risk profile

The interest rate profile of Ordnance Survey's financial assets at 31 March 2014 are set out below, there are no financial liabilities. All balances are held in sterling:

Group	2014			2013		
	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets						
Cash at bank	–	5,464	5,464	–	13,303	13,303
Cash on deposit	46,000	–	46,000	27,500	–	27,500
Loan to PointX (interest free)	–	–	–	90	–	90

28 Related parties

Group and Trading Fund

All transactions with actual or potential related parties are carried out at an arm's length basis.

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 had a significant number of material transactions with other governmental departments and central government bodies. Most of these transactions have been with the Department for Business, Innovation and Skills, Land Registry and the Scottish Government.

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

Ordnance Survey and PointX Limited are related parties. During the year Peter ter Haar and John Carpenter were Directors of PointX Limited.

Ordnance Survey Leisure Limited, is 100% owned by Ordnance Survey. The Directors of Ordnance Survey Leisure Limited are Piers White and David Jones.

Ordnance Survey International LLP is a joint venture in which Ordnance Survey indirectly controls 100% of voting rights. Ordnance Survey is represented on the Board of Ordnance Survey International LLP by Neil Ackroyd and David Jones.

GeoPlace LLP is a joint venture LLP with Local Government Association. During the year Neil Ackroyd and John Kimmance represented Ordnance Survey on the Board of GeoPlace LLP.

Astigan Limited is 51% owned by Ordnance Survey. Ordnance Survey is represented on the board of Astigan Limited by Mike Carr, Neil Ackroyd, Ian Nunn and David Jones.

The results of PointX Limited, Ordnance Survey Leisure Limited, Astigan Limited, GeoPlace LLP and Ordnance Survey International LLP are included in the consolidated financial statements as described in the accounting policies.

29 Events after the reporting period

IAS 10 'Events after the reporting period' requires the date on which the accounts are authorised for issue to be disclosed. The authorised date for issue is stated on the balance sheet. On 14 April 2014, Vanessa Lawrence CB resigned as Accounting Officer and Director General and Chief Executive Officer. There were no other events after the reporting period to disclose.

30 Financial targets and results

The financial objective for the year 2013–14 was to achieve a trading surplus, before exceptional items, interest and dividends of at least £31.1 million under IFRS.

A further financial objective of Ordnance Survey was to achieve a return on capital employed (ROCE), averaged over the financial year 2013–14 of at least 6.5% under IFRS, 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 Reserve.

The operating surplus before exceptional items for the financial year 2013–14 represents a ROCE of 19.8% (2012–13: 21.8%).

31 Control

The immediate parent undertaking is the Department of Business, Innovation and Skills (BIS). There is not considered to be an ultimate controlling party due to the fact that Ordnance Survey is a Government Trading Fund, being a non-ministerial Government Department and an Executive Agency responsible to the Secretary of State for BIS. It is not therefore possible to identify the ultimate holders of the Public Dividend Capital of Ordnance Survey.

32 Five-year summary

	2009–10 <i>(restated)</i>	2010–11 <i>(restated)</i>	2011–12 <i>(restated)</i>	2012–13	2013–14
	£'000	£'000	£'000	£'000	£'000
Revenue	114,838	129,878	142,045	141,876	144,216
Operating costs	(97,690)	(105,256)	(109,836)	(109,625)	(112,551)
Operating profit/(loss) before exceptional items	17,148	24,622	32,209	32,251	31,665
Exceptional items	(18,408)	(13,278)	–	–	–
Operating profit/(loss)	(1,260)	11,344	32,209	32,251	31,665
Finance Income/(cost)	(916)	(218)	109	(784)	58
Profit on ordinary activities	(2,176)	11,126	32,318	31,467	31,723
Minority interest	–	–	–	–	331
Profit/(loss) on ordinary activities	(2,176)	11,126	32,318	31,467	32,054
Dividend	(5,771)	(6,344)	(17,200)	(20,400)	(19,400)
Profit/(loss) retained for the year	(7,947)	4,782	15,118	11,067	12,654
Total equity	87,254	114,067	130,234	145,080	158,433

2009–10 to 2011–12 were restated in 2012–13 due to additional revenue received from a partner which related to previous financial years but was materially uncertain when these reports were approved.

HM TREASURY MINUTE DATED 23 MAY 2011

1. Section 4 (1) of the *Government Trading Funds Act (1973)* ‘the 1973 Act’) provides that a trading fund established under the 1973 Act shall be under the control and management of the responsible Minister and, in the discharge of functions 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. The trading fund for the 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 4-year period from 1 April 2010 to 31 March 2015, shall be to achieve a return of 6.5% for the financial year to 31 March 2012, 6.5% for the financial year to 31 March 2013, 6.5% for the financial year to 31 March 2014, and 6.5% for the financial year to 31 March 2015. This shall in the form of a surplus on ordinary activities before interest (payable and receivable) and dividends expressed as 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 20 March 2008.
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*.

HM Treasury
23 May 2011

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