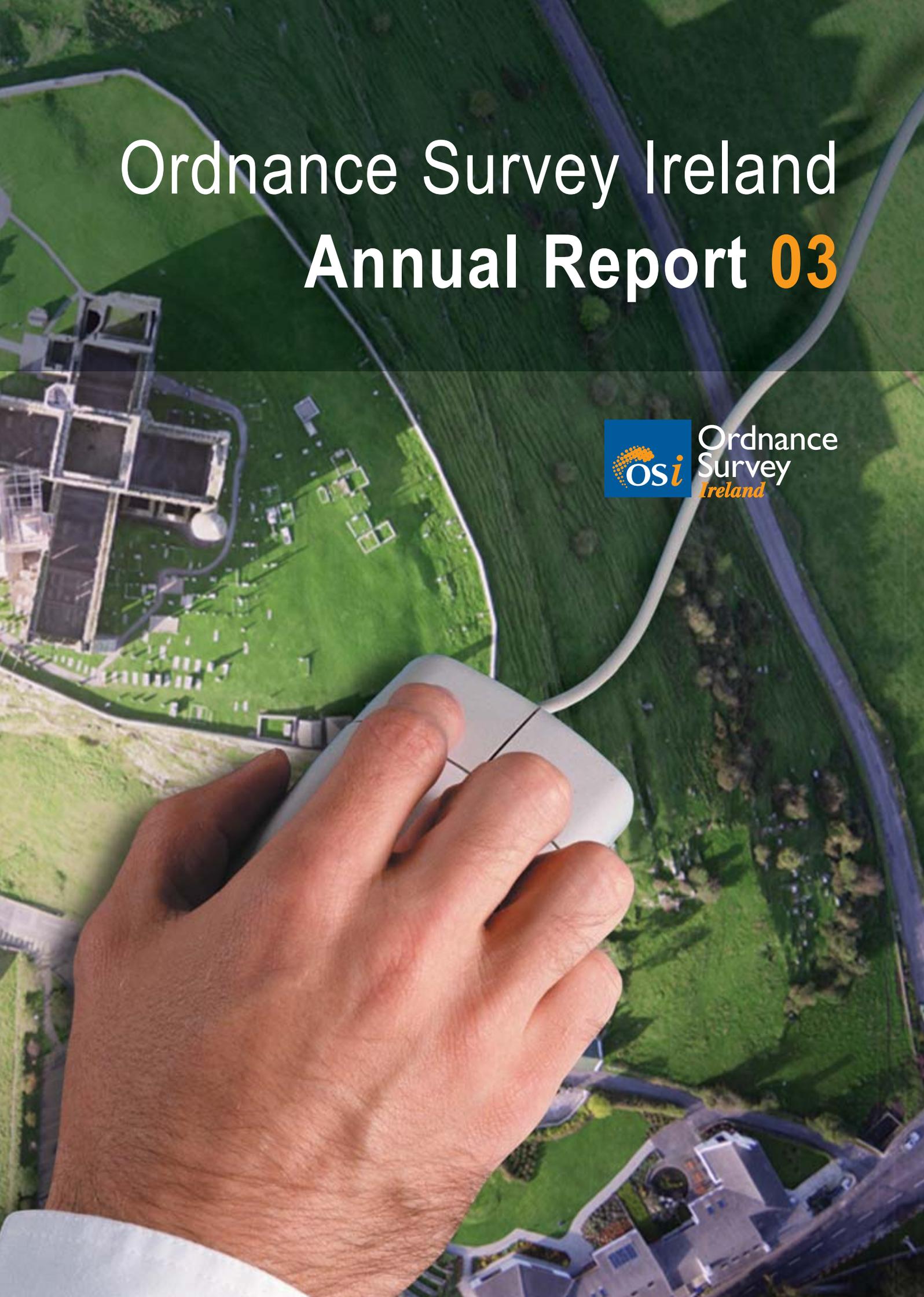


Ordnance Survey Ireland Annual Report 03



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Chairman's Statement



It gives me great pleasure to introduce Ordnance Survey Ireland's second annual report as a State body. Since OSi was vested as a "body corporate" in March 2002 it has made exceptional strides in adapting to this new environment and the challenges it brings.

I would like to commend the efforts of the management team, led by Richard Kirwan, and all the staff of OSi for an exceptional performance in 2003. Map production progressed well and the ambitious programme of new large scale vector mapping of the country is likely to be completed on target as a result of their commitment.

Management and staff also showed that they have a genuine appetite for the many challenges presented by improvements in technology in all aspects of our business – from the development of new open and next generation databases to strategies for delivery of services over the internet.

The many exciting opportunities arising from technological innovation could all too easily prove a distraction for such a technologically literate team as OSi. The Board has been greatly impressed, however, by the clarity of purpose brought to this question by its management.

It has demonstrated considerable clarity of purpose in its approach to streamlining the organisation, reaching new agreements on work practices and skill requirements in partnership with staff and in selecting new products and distribution approaches. OSi retains an important public service remit which is fully respected, but in setting the agenda for tomorrow OSi is already displaying considerable commercial acumen.



The inclusion of OSi in the Government's Budget announcement on decentralisation, while unexpected, effectively ended the protracted consideration of where the organisation should establish its headquarters. It is our firm intention that this process will address the very real concerns that have existed about the quality of the accommodation in which staff are currently serving.

Finally, I would like to thank my colleagues on the Board for their enthusiasm and to extend our thanks to the Minister for Finance and to the officials within his Department for their interest in and support of OSi's activities throughout the year.

Chief Executive's Review



Since OSi was vested as a "body corporate" in March 2002 we have made significant progress in the process of organisational and cultural change which is necessary to enable us to develop in a rapidly changing environment.

I am delighted to report that during 2003 the organisation achieved a number of notable milestones in this journey and ended the year in a strong position. As a result we are now well positioned to exploit future opportunities in the exciting and growing market for geographic and positioning data.

Strong customer focus

Significant challenges remain, however. Our diverse range of customers have ever growing expectations when it comes to our ability to deliver data in a timely manner and provide new services to meet their particular needs.

OSi's traditional product was printed maps. Today we continue to provide this important product, in a range of scales to suit a wide variety of users. Increasingly, however, mapping is produced in digital form and the base data used to create the map series is also used to produce other products, such as orthophotos and Digital Terrain Models. We also license the use of data for a wide range of computer-based applications, such as Computer Aided Design (CAD) and Geographic Information Systems (GIS).

To meet the requirements of our customers we expanded our new national network of Place Map Agents in 2003. We were also highly active in developing our relationships with Licensed Partners.

Innovation

OSi has always enjoyed a reputation as an innovator in its field. That remains the case and is reflected by our ongoing activity in this area. During 2003, for example, our groundbreaking Active GPS Network was further upgraded. This is one of the most advanced and comprehensive positioning infrastructures available anywhere in the world. It enables civil engineers and other professional users to determine, quickly and cheaply, precise locations to within 2 cm in three dimensions.

This is just one example of our continuing commitment to innovation on behalf of our customers. In an increasingly competitive and globalised marketplace we are confident that our ability to innovate with new products and services, as well as to anticipate and meet customer needs, will help us to retain clear market leadership.

The active GPS network, built in co-operation with the Ordnance Survey of Northern Ireland and The Commissioners of Irish Lights, also exemplifies our growing interest in and commitment to working in partnerships in order to deliver the best possible products and services to our customers.



Mapping

We are now in sight of the end of a major project of remapping the state with large scale digital mapping. This will mark a milestone in the history of the organisation, providing a complete data set as the basis for all future mapping.

Completion of this enormous project will enable us to channel our efforts into responding to the increased needs and expectations of our customers. referred to above. That, and constant improvements in information technology and applications software, has implications for OSi in relation to the skill sets we require.

Staff and organisational developments

To address this, agreement was reached on streamlining our Performance Management & Development System, along with associated training activities, to achieve better alignment with the organisation's changing priorities. We continued to provide a wide range of training and development opportunities for staff.

During the year we also implemented a comprehensive new organisational structure, in full agreement with staff and their representative bodies, designed to enable OSi to function better in its new role as a State Body. Part of this agreement includes bringing necessary new skills into the organisation and

a number of senior appointments were made to strengthen the commercial and financial management and reporting functions.

The OSi Partnership Forum was developed into a fully effective mechanism for progressing organisational change and at the same time agreement was reached on a range of productivity improvements to be delivered under *Sustaining Progress*.

I wish to compliment the entire staff of OSi on an exceptional achievement during 2003. Changes in organisational structures, systems and the constant evolution of the marketplace, combined to present fresh challenges for everyone.

However, the groundwork of creating new partnership structures between management and staff and the demonstrable pride that staff have in the work of OSi combined to produce an excellent year of achievement.

We were most fortunate, too, to have the enthusiastic support of the board under the Chairmanship of Mr. Kevin Bonner.

2003 Highlights



- Record revenue of €14.97m achieved.
- Significant contracts, encompassing both public and private sectors, were entered into.
- The national network of Place Map Agents was expanded, ensuring that all customers are within easy reach of OSi “plot-on-demand” mapping, and is now a significant generator of income for OSi.
- Phase 1 of the new OSi e-commerce distribution channel was progressed, incorporating a detailed overhaul of pricing and licensing.
- A map scanning and analysis flowline was developed to make historic maps available through the new e-commerce system, with all 6 inch maps scanned by the year-end.
- A unit was established to focus on creating new products and services.
- A new suite of 1:450 000 Ireland products – Ireland Leisure, Culture, Driving and Touring maps – was produced, along with Galway and Waterford Street Maps.
- Excellent progress was achieved in map production and data quality enhancement. In 2003 [640] new 1:2,500 maps and [1,000] new 1:5,000 maps were databased, making completion of the national large scale vector mapping possible by end 2004.
- Further reductions were made in revision cycle times on both large and small scale mapping, enhancing accuracy for map users.
- High altitude colour photography of the State was completed and orthophotos covering 85% of the State were made available to customers.
- A comprehensive new organisational structure was implemented, in agreement with staff and staff representative bodies. This agreement includes bringing necessary new skills into the organisation where appropriate.
- A comprehensive review of future skills requirements was begun.
- Agreement was reached on streamlining the Performance Management Development System and training to achieve better alignment with organisational priorities.
- The OSi Partnership Forum was developed into a fully effective mechanism for progressing organisational change.
- Agreement was reached on a range of productivity improvements to be delivered under the national Sustaining Progress agreement

Facing the new realities of the marketplace



OSi's mission remains that of "excellence in providing quality mapping and geographic information services to meet society's needs". This involves five key strands of activity over the coming years:

- To develop the geographic information services part of our business
- To be an efficient organisation offering excellent value
- To develop our people and culture to underpin the success of the business
- To consolidate our position as the national mapping data supplier of choice
- To retain our position in the social fabric of Ireland

Traditionally seen as a mapping agency which produces printed maps, OSi is today a world leader in the capture of spatial and positioning information and in developing innovative ways of delivering this data to our customers. Our aim is to provide data in ways which can be manipulated and used by them to best suit their specific needs.

Delivery via mobile telephony and the internet, both directly to end users and through various arrangements with licensed partners, is a rapidly growing part of our business. It is an important part of our job to ensure that customers can realise the potential

afforded by the many new applications and technologies available in this area.

Technological developments, near revolutionary in many respects, have also enabled OSi to radically improve data capture, processing and checking, leading to higher quality datasets at less cost.

Organisational matters

In a period of significant change one of the key challenges faced by OSi is to ensure the appropriate alignment of skill sets and people with the organisation's clear objectives to enable the organisation to become more responsive to the marketplace.

The completion of the large scale new mapping project in the near future is a key opportunity in the life of OSi. This will release significant resources, enabling the organisation to develop further by increasing its focus on customer needs and building on the OSi's significant strengths, which are widely acknowledged nationally and internationally.

New Structure:

The new organisational structure agreed in March 2003, following extensive consultation with unions and staff, was implemented during the year under review.



The introduction of a new grade of Team Leader is a key part of the newly agreed structure. This group is vital to embedding the new structure and changing our culture to ensure continued commercial development of the organisation. Therefore, a comprehensive training programme was put in place for Team Leaders, focusing on key skills and knowledge requirements (see PMDS and training section below for more detail). The programme, which began in late 2003, is modular based and will be rolled out over a 14 month period. In addition, there were opportunities for advancement at other levels in the organisation. As part of this process a range of generic job profiles and competencies were designed and agreed for each grade level in the new structure. A number of individuals received competency based interview training also, to ensure a uniform approach to all interviews.

In addition, a range of productivity improvements to be delivered under Sustaining Progress was agreed with staff representative bodies. This included fully documenting a range of processes and procedures, including large-scales production processes, and production of an Employee Handbook.

Further consideration was given to how best to promote innovative and creative thinking

throughout the organisation. A review of approaches was completed, with active consideration given to the creation of a range of non-monetary rewards.

With technology playing a vital role in the evolution of the organisation there was again significant investment and progress in this area during 2003. OSi moved to a Windows-based operating systems environment throughout the organisation, an Oracle backup and recovery strategy was designed and implemented to reflect on our increased reliance on these databases and Business Continuity Plans were completed for every work area.

File and print services were amalgamated and migrated to a new server, consolidating storage requirements and putting in a framework for future growth. The leased line for corporate internet use was upgraded from 256k to 2MB, significantly enhancing information transmission speeds. The previously dispersed IT Department was consolidated in newly acquired accommodation, improving efficiency.

New facilities were installed to facilitate remote dial-in for people working from home or in the field, another significant enhancement which is of benefit to many staff throughout the organisation as well as to the OSi.

Head Office

It has been determined that OSi will leave its existing Headquarters facilities within Phoenix Park in Dublin and relocate, under the Government's decentralisation plans, to new purpose built premises in Dungarvan, Co. Waterford. This major relocation project should be approached and managed without disruption to OSi's day-to-day commercial and national service obligations. The enormity of this task cannot be overstated.

Mapping

Significant further progress was made towards completion of large-scale new digital mapping coverage of the State, with approximately 640 new 1:2,500 maps and approximately 1,000 new 1:5,000 maps databased, the majority of the latter from mapping contractors with in-house quality acceptance testing.

Thirty one Discovery Sheets were produced and a new suite of Ireland maps were designed and published. These are the Ireland Leisure, Culture, Driving and Touring maps, all at 1:450 000. New editions of street maps for Galway and Waterford cities were also published.

Revision cycles were also further reduced during the year. All 1,810 maps at 1:1,000 scale were revised during the year, as were [1,150] suburban and rural 1:2,500 maps.

Suburban maps were brought within a 3-year cycle and 1:2,500 rural maps within a 5-year cycle. All Discovery sheets and digital data were bought within a maximum five year revision cycle and the majority of sheets are now revised more regularly than this.

Continuing strong management of printing and stocks ensured that at virtually no time were we unable to meet customer requirements for any given map.

High altitude colour photography of the State was completed and orthophotos for 85% of the State were published. These have been exceptionally well received in the marketplace.

In the area of quality a number of improvements were made in 2003. Data manipulation skills in Tuam and the GIS Test Bed in Ennis were further enhanced, progress was achieved in the quality improvement flowline in Longford and work was advanced on providing statistics for the quality of our mapping. As part of OSi's commitment to retaining market leadership, a contractor was selected for the upgrade/ replacement of our central database, associated hardware and software.

The Historical and Leisure Products Division is responsible for maintaining the national 1:10,000 topographical database, designing and deriving digital and paper products, and



creating a national historical mapping archive. In this way it meets the requirements of retail, trade, digital sales and internal OSi customers. Phase 1 of the Historical Mapping project was completed in 2003. This provides OSi with a new archive of rectified coloured and black and white 6" maps which will be made available in 2004 to customers through the new e-commerce channel.

Positioning services

Commercialisation of the OSi web based real time positioning services progressed well during 2003 and is scheduled for completion in 2004. Significant work was undertaken on promoting and educating our customer base regarding the new coordinate reference system for Ireland – ITM – to ensure that its benefits are understood.

An upgrade of the Active GPS Network was also completed. The geodetic infrastructure for Ireland was further enhanced to include a Network Real Time Kinematic (RTK) GPS solution nationally with a scheduled launch in 2004.

Spatial Data Infrastructure

A definitive data set of all statutory and administrative boundaries in the State was completed, and its expansion to include a wide

range of other public-sector boundaries was agreed to be a key proof-of-concept of an Irish Spatial Data Infrastructure (SDI). OSi continues to play a leading role in this vital work, endorsed by two Cabinet decisions, under the convenorship of the Department of Environment, Heritage and Local Government.

International activities

OSi continues to undertake European and international SDI activity. In 2003 this included participation in the restarted European geographic information standardisation project and in EuroGeographics, with the completion of EuroRegionalMap and EuroGlobalMap data. OSi also took a lead for Ireland in the INSPIRE project designed to create interoperable spatial information for Europe.

Marketing and distribution

OSi has a strong, high quality brand which is gradually being seen as standing for more than paper mapping. Our investment history in the maintenance and improvement of the quality of our mapping data and databases over the last few years has been recognised by key customers and there is a growing appreciation of our new position as a deliverer of positional data through electronic delivery channels.



We reviewed our marketing strategy during 2003. This included detailed analysis of markets, products and distribution channels. As a result of this review the Department was reorganised and a Channel Sales Manager and a Sales Executive with strong commercial experience were recruited from outside the organisation.

For 2003 revenue was [€15.2 million] – the highest ever.

As part of the continuing effort to protect OSi and Government copyright, as well as to grow revenues, direct marketing techniques were used extensively during 2003 with significant users of mapping products, including Estate Agents, Auctioneers and Solicitors. This approach was successful and sales targets were exceeded.

An annual programme of Customer Care training for all staff was completed and a Customer Liaison Officer was appointed to co-ordinate the handling of customer issues.

With the key building blocks in place, including a strong distribution network of agents and Licensed Partners, one of the important tasks for the next two years in particular will be to build the OSi brand and image, making the organisation more visible overall in the marketplace.

OSi's revenues are expected to continue to grow steadily, with a progressive switch from sales of paper to digital products. We expect the market for our products and services to expand, particularly in the central government area and in new market sectors. There will also be growth in such areas as historical mapping products. In many respects, the ability afforded by developments in software, digital map production and archive retrieval create a wealth of opportunities for OSi and a diverse range of customers. One of the key challenges for OSi, as an innovator, is to identify areas of main potential and to focus resources on them.

Financial

All the necessary work to complete and have audited the 2002 accounts, both pre- and post-vesting as a State Body, was successfully concluded, along with further enhancements of the financial information available to managers on an ongoing basis.

There will be a requirement for significant continuing investment in information technology and systems, but this will be offset, at least in part, by the ending of significant expenditure on mapping contracts to create large-scale mapping in 2004. The December Budget announcement that OSi would be decentralised to Dungarvan Co Waterford is perceived as having a number of potential risks for the organisation and will, accordingly,



require to be addressed by the development of an effective risk management strategy to ensure its successful implementation.

A General Manager (Finance) was recruited from industry and full accrual accounting within the Financial Integra system was implemented following extensive training of finance staff in the area of financial applications and reporting facilities. Electronic payment of suppliers is being introduced and OSi progressed plans for outsourcing payroll to a new third party source.

Sustaining Progress, Benchmarking & Partnership matters

Under the latest National Pay Agreement, Sustaining Progress, OSi was required to develop and submit an action plan for modernisation, agreed and signed by the Partnership Forum, to an External Verification Committee. During 2003 this Plan was agreed and submitted and satisfactory progress was subsequently verified by that Committee. This allowed for payments due in January 2004 to be paid. This verification process will continue for remainder of the Agreement with Action Plans being updated along the way.

Following on from the in-depth analysis of the Staff Climate Survey conducted in 2002 focused reports were issued to each Division. This led to a series of discussion within each area on addressing local issues and together

with those that had an organisation wide impact, with results being fed back to the Partnership Forum. In September 2003 an action list was signed off by that group.

The Joint Change Body, recommended as part of an Industrial Relations Review, began work on a number of issues including development of new IR mechanisms and new procedures for the handling of grievances and disciplinary matters. It was chaired by a senior representative of the Labour Relations Commission and includes representation from OSi Management and all the representative unions in OSi (AHCPs, CPSU, FUGE, IMPACT and PSEU).

Performance Management Development System (PMDS) and training

During 2003 much of our emphasis was on embedding our new structure and developing the relevant generic competencies for each new grade level. As part of these changes a significant number of staff were assigned to new teams and new tasks. This led to some difficulties in operating PMDS and slowed the process of identifying training needs. At year end it was agreed, through Partnership, that a more focused approach to training was required and that PMDS forms needed to be streamlined to aid the process further. This process was completed in consultation with staff.



Our most significant training initiative in 2003 was the introduction of the modular training course for newly appointed Team Leaders. On completion of the course participants will have covered the following range of topics: Understanding the broader framework within which OSI operates; Role of Team Leader; Leadership and Motivation; Interpersonal Communications; Teamwork and Team Building; Managing Performance/Managing and Developing People; Coaching/Mentoring; Facilitation; Managing a meeting; Time Management & Project Management; Basic Employment Law; Conflict Resolution/Employee Relations; Human Resources policies and procedures; Equality/Equal Treatment; Strategy Statements and Business Plans; Ethics and Corporate Governance; Managing Budgets & Tendering Procedures; Presentation Skills & Report/Letter Writing. The course will run over an 18 month period.

In the region of €40,000 was spent on IT training, €3,000 was on accounting training, €12,000 on mapping training, €3,000 on Safe Pass training and €100,000 on various other job specific training activities and broader training in such areas as HR skills, communications and general management. A further €40,000 was used to fund courses pursued by staff in their own time.

In addition, as part of our ongoing commitment to improving our recruitment and selection process, interview skills training was made available to all staff in the organisation.

“Family-Friendly” work practices

The flexitime system, introduced as a pilot scheme in 2001, is now being availed of by the majority of staff. During 2004 a review of the system will be carried out with a view to introducing further flexibility.

Employees can also avail of Career Breaks, Term Time Leave, Parental Leave and work sharing options, subject to the needs of the business. In 2003, 16 employees were on career breaks, five took term time leave, and 22 availed of work-sharing options on a variety of work patterns. In addition, five took parental leave.

The potential of e-working was mooted at Partnership and it was agreed that research would be conducted in 2004 into its possible viability.

Corporate Governance

Ordnance Survey Ireland subscribes to the highest standards of corporate governance, operating to the principles and guidelines enunciated in the “Code of Practice for the



Governance of State Bodies". OSi complied with Department of Finance Guidelines during 2003 to ensure best practice in all aspects of corporate governance.

OSi Board:

The Board of OSi was established in March 2002 by the Minister for Finance under the provisions of the OSi Act 2001. During the course of 2003, this ten member Board met on ten occasions.

Audit Committee

The Audit Committee of the OSi Board comprises of the following three Board members – Mr. Patrick W. Fenton and Mr. Patrick O'Sullivan with Mr. Thomas Madden serving as Chairman. This Committee met on 5 occasions during the year therefore complying with its requirements under the Code of Practice for the Governance of State Bodies.

Remuneration Committee

A Remuneration Sub-Committee of the Board comprises Mr. Bill Attley, Mr. Liam O'Farrell and Mr. Rory Scanlan with Mr. Kevin Bonner serving as Chairman.

Accommodation Committee

The Accommodation Sub-Committee was established to assist and advise the OSi Board on accommodation related issues given the ageing nature of the building at the OSi Headquarters' complex. The committee comprises Mr. Kevin Bonner, Mr. Liam Egan, Mr Anthony Murray, Mr. Rory Scanlan and Mr. Liam O'Farrell.

Board Members and Other Information

Board Members at 31 December 2003

Mr. Kevin Bonner - Chairman
Mr. Bill Attley
Mr. Liam Egan
Mr. Patrick W. Fenton
Mr. Michael D. Hayes
Mr. Thomas K. Madden
Mr. Anthony Murray
Mr. Liam O'Farrell
Mr. Patrick J. O'Sullivan
Mr. Rory M. Scanlan

Auditor

Comptroller and Auditor General
Treasury Block
Dublin Castle
Dublin 2

Solicitor

McCann Fitzgerald Solicitors
2 Harbourmaster Place
International Financial Services Centre
Dublin 1.

Bankers

AIB Bank
West End Retail Park
Blanchardstown
Dublin 15

Bank of Ireland
Main Street
Blanchardstown
Dublin 15

Anglo Irish Bank
18-21 St. Stephens Green
Dublin 2

Bank of Scotland (Ireland)
72-74 Harcourt Street
Dublin 2

Statement of Board Members' Responsibilities

Year Ended 31st December 2003.

The Board is required by the Ordnance Survey Ireland Act, 2001 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of Ordnance Survey Ireland and of its income and expenditure for that period.

In preparing those statements, the Board is required to

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- disclose and explain any material departures from applicable accounting standards, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that Ordnance Survey Ireland will continue in existence.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of Ordnance Survey Ireland and to enable the Board to ensure that the financial statements comply with the Act and with the accounting standards laid down by the Minister for Finance. The Board is also responsible for safeguarding the assets of Ordnance Survey Ireland and hence for taking reasonable steps for the prevention and the detection of fraud and other irregularities. The books of accounts of the Board are held in Ordnance Survey Ireland headquarters in Phoenix Park Dublin. 8.

On behalf of the Board:



Kevin Bonner

Chairman

8 September 2004

Statement on Internal Financial Control

On behalf of the Board I acknowledge responsibility for the system of internal control and for reviewing its effectiveness. The system is designed to ensure that transactions are executed in accordance with management's authorisation, that reasonable steps are taken to safeguard assets and protect against fraud, and that proper financial records are maintained. The system is designed to manage risk and can give reasonable, but not absolute, assurance against material error or fraud.

The principal procedures which have been put in place to provide effective internal financial control include:

- A defined organisation structure with clear responsibilities.
- A formal budgeting process and the periodical reporting of actual performance against budget.
- Formal procurement procedures including tendering and awarding of contracts.
- Procedures for the approval, review and control of capital expenditure.

- Procedures for pricing of sales contracts.
- Other procedures including payment controls, authorisation limits, segregation of duties, delegation and supervision.

The arrangements for monitoring the effectiveness of internal financial control include the existence of an internal audit function, and the Audit Committee which has formal terms of reference and meets on a periodic basis. External consultants are appointed to perform specific reviews of risk and control from time to time.

The Board conducted a review of the effectiveness of the system of financial control during 2003.

On behalf of the Board:



Kevin Bonner
Chairman

8 September 2004

Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas

I have audited the financial statements on pages 19 to 31 under Section 26 of the Ordnance Survey Ireland Act, 2001.

Respective Responsibilities of the Members of the Board and the Comptroller and Auditor General

The accounting responsibilities of the Members of the Board are set out on page 16. It is my responsibility, based on my audit, to form an independent opinion on the financial statements presented to me and to report on them.

I review whether the statement on the system of internal financial control on page 17 reflects Ordnance Survey Ireland's compliance with applicable guidance on corporate governance and report any material instance where it does not do so, or if the statement is misleading or inconsistent with other information of which I am aware from my audit of the financial statements.

Basis of Audit Opinion

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with auditing standards issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made in the preparation of the financial statements, and of

whether the accounting policies are appropriate to Ordnance Survey Ireland's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Emphasis of Matter

Without qualifying my opinion, I draw attention to Accounting Policy 6 on page 20 in relation to the ownership of, and the treatment of costs incurred on, the National Topographic Database.

Opinion

In my opinion, proper books of account have been kept by Ordnance Survey Ireland and the financial statements, which are in agreement with them, give a true and fair view of the state of affairs of Ordnance Survey Ireland at 31 December 2003 and of its income and expenditure and cash flow for the year then ended.



John Purcell
Comptroller and Auditor General

September 2004

Accounting Policies

1. General

Ordnance Survey Ireland (OSi) was established by Statutory Instrument No. 73 of 2002, on 4th March 2002 under the Ordnance Survey Ireland Act, 2001.

2. Basis for Accounting

The financial statements have been prepared on an accruals basis, except as stated below, under the historical cost convention and in accordance with generally accepted accounting practice. Financial reporting standards recommended by recognised accounting bodies are adopted as they become applicable.

3. Opening Balances

On Establishment day, 4th March 2002, the assets and liabilities of the Ordnance Survey were transferred to OSi on the basis of their values at that date and an amount equivalent to the net assets was credited to Reserves.

4. Income recognition

OSi receives an Oireachtas Grant from the Department of Finance. This amount is shown in the Income and Expenditure Account in the period in which it is received. A Service Contract for the services to be provided in exchange for the Oireachtas Grant is under negotiation with the Minister for Finance.

Digital customers may be supplied by licensing of access to ordnance survey data. Revenue from the sale of licences is earned evenly over the life of the licence and revenue attributable to the unexpired portion of the licence at the balance sheet date is shown as deferred revenue.

Digital customers may also be supplied with mapping data under annual contracts or for periods in excess of one year. Revenues under these contracts are recognised as obligations under the contracts as fulfilled. Costs in relation to these contracts are charged to the Income and Expenditure Account in the period in which the revenues are earned.

Other sales and revenues are recognised when the product has been despatched or the service provided.

5. Superannuation

On the establishment date existing staff transferred from the Ordnance Survey to OSi. Such staff retain under statute their existing superannuation entitlements. A new superannuation scheme which will include all staff will be submitted for the approval of the Minister, in accordance with Section 17 of the Ordnance Survey Act 2001. The responsibility for the superannuation entitlements of the transferred staff rests with OSi. Actual funding arrangements for pensions will be met from total OSi revenues going forward.

It is intended that the new scheme will be a defined benefit scheme as is the norm in this regard for public service organisations. Pending the scheme's establishment it is being operated on an administrative basis.

For accounting periods commencing on or after 1 January 2005 Financial Reporting Standard 17 will require financial statements to reflect at fair value the assets and liabilities arising from an employer's superannuation obligations and any related funding, and to recognise the costs of providing superannuation benefits in the accounting periods in which they are earned by

employees. As a transitional measure, the Standard requires that the present value of scheme liabilities be disclosed in the notes to the 2003 financial statements.

6. The National Topographic Database

The National Topographic Database is used to create and maintain digital mapping data. The database is of central importance to OSi's activities and income generation.

The National Topographic Database comprises two key elements – the database management system and the underlying topographical data (the database).

The database management system is accounted for as computer equipment under tangible fixed assets (see note 8 to the financial statements). The existing asset at 4th March 2002 was transferred into the opening balance sheet at cost less accumulated depreciation.

Although OSi enjoys continued access to and usage of topographical data, the intellectual property rights to the data created prior to establishment day are retained by the Government of Ireland. Accordingly, no value has been ascribed in the opening balance sheet to topographic data in these financial statements.

OSi incurs expenditure on an ongoing basis maintaining and enhancing the topographic database. This comprises money spent on New Mapping and Continuous Revision activities. The expenditure incurred on New Mapping and Continuous

Revision of topographical data is charged to the Income and Expenditure Account as incurred. This expenditure is not capitalised as

OSi acts as agent of the Government and does not have the right of ownership.

7. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated in order to write off the cost of tangible fixed assets other than land by equal annual instalments. The estimated useful lives by reference to which depreciation has been calculated are as follows:

Fixtures and fittings	3 to 10 years
Motor vehicles	5 years
Computer equipment	4 years

8. Stocks

Stocks comprise printed maps and supplies and are stated at the lower of cost and net realisable value.

9. Foreign currencies

Transactions denominated in foreign currencies are translated into euro at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the exchange rates ruling at the balance sheet date and resulting gains and losses are included in the Income and Expenditure Account for the period.

Income and Expenditure Account

	Notes	1 January 2003 to 31 December 2003 €	4 March 2002 to 31 December 2002 €
Sales	1	14,976,442	10,954,869
Oireachtas Grant		8,975,500	9,934,000
Other Operating Income	4	198,649	280,100
		24,150,591	21,168,969
Costs of Production and Sales	2	(15,403,213)	(11,647,085)
Distribution and Administration Costs	5	(7,321,866)	(5,685,299)
Surplus for period before taxation		1,425,512	3,836,585
Tax on profit on ordinary activities		107,031	(474,684)
Surplus for period after taxation		1,532,543	3,361,901
Balance at beginning of period		3,361,901	-
Balance at 31st December		4,894,444	3,361,901

Sales and operating income arose solely from continuing operations. There were no recognised gains or losses other than those dealt with in the income and expenditure account.

The Accounting Policies on pages 19 and 20, and the notes on pages 24-31 form part of these accounts.

On behalf of the board



Kevin Bonner
Chairman



Richard Kirwan
Chief Executive Officer

8 September 2004

Balance Sheet

as at 31 December 2003

	Notes	2003 €	2002 €
Fixed assets			
Tangible assets	8	4,251,649	3,568,192
Current assets			
Stock	9	259,023	281,296
Debtors	10	3,812,572	3,578,771
Deferred tax	7	342,850	235,819
Cash at bank and in hand		10,633,020	8,668,568
		15,047,465	12,764,454
Creditors – amounts falling due within one year	11	5,938,306	4,504,381
Net current assets		9,109,159	8,260,073
Total assets less current liabilities		13,360,808	11,828,265
Represented by:			
Transfer from Ordnance Survey on 4th March 2002		8,466,364	8,466,364
Revenue reserves		4,894,444	3,361,901
Closing balance		13,360,808	11,828,265

The Accounting Policies on pages 19 and 20, and the notes on pages 24-31 form part of these accounts.

On behalf of the board



Kevin Bonner
Chairman



Richard Kirwan
Chief Executive Officer

8 September 2004

Cash Flow Statement

	1 January 2003 to 31 December 2003	4 March 2002 to 31 December 2002
Notes	€	€
Reconciliation of the Net Movement for the Period		
Surplus for period after taxation	1,532,543	3,361,901
Profit on sale of fixed assets	-	(249,467)
Depreciation	2,187,300	2,360,578
Deposit Interest	(187,022)	(30,633)
Increase in debtors and prepayments	(340,832)	855,755
Increase in creditors	1,433,925	2,148,407
Decrease in stocks	22,273	110,050
Net cash inflow from operating activities	4,648,187	8,556,591
Net cash inflow from operating activities	4,648,187	8,556,591
Cash Flow Statement		
Return on investments and servicing of finance		
Interest received	187,022	2 0,357
Net cash inflow (outflow) from return on investments and servicing of finance	187,022	20,357
Capital expenditure		
Receipts on sale of tangible fixed assets	-	(249,467)
Purchase of tangible fixed assets	8 2,870,757	928,741
Net cash outflow from capital expenditure	(2,870,757)	(679,274)
Net cash inflow/(outflow) before financing	1,964,452	7,897,674
Financing		
Bank balances transferred from Ordnance Survey	-	770,894
Net cash (outflow)/inflow from financing	-	-
Increase/(decrease) in cash	1,964,452	8,668,568

The Accounting Policies on pages 19 and 20, and the notes on pages 24-31 form part of these accounts.

Notes to the Financial Statements

1. Sales

	1 January 2003 to 31 December 2003	4 March 2002 to 31 December 2002
	€	€
Long term contracts – County Councils	1,944,767	1,146,338
Long term contracts – Utilities	3,982,318	3,372,827
Map Sales including annual licensing	9,049,357	6,435,704
	14,976,442	10,954,869

2. Costs of Production and Sales

	1 January 2003 to 31 December 2003	4 March 2002 to 31 December 2002
	€	€
Cost of production (New Mapping and Continuous Revision)		
Salaries & Wages	7,646,094	5,706,365
IT Costs	993,252	572,205
Depreciation	2,044,723	2,129,237
Outsourced mapping (Note 14)	2,467,812	1,540,187
Flight and maintenance costs	756,023	647,163
Travel & Subsistence	376,641	353,380
Vehicle Running Costs	177,465	181,573
Contractor costs	65,253	52,254
Chemical costs	-	2,591
Film Costs	16,310	26,274
Incidental Expenses	23,196	42,375
Stationery	35,824	25,798
Field Equipment	7,922	23,611
Plotter Costs	35,117	10,398
Restructuring	-	81,250
	14,645,632	11,394,661
Cost of sales:		
Opening stock	201,549	210,948
Outsourced printing costs	738,929	243,025
Closing stock as at 31 December	(182,897)	(201,549)
Total costs of production and sales	15,403,213	11,647,085

3. New Mapping and Continuous Revision Costs

As described in paragraph 6 to the accounting policies, expenditure incurred on enhancing and maintaining the topographic database is charged to the Income and Expenditure Account in the period in which incurred. The amounts charged to the Income and Expenditure Account for the current period were as follows:

	1 January 2003 to 31 December 2003 €	4 March 2002 to 31 December 2002 €
New Mapping	6,540,172	4,839,958
Continuous Revision	8,105,460	6,554,703
	14,645,632	11,394,661

OSi estimates that the topographic database will be renewed through continuous revision over a five-year cycle.

4. Other Operating Income

	1 January 2003 to 31 December 2003 €	4 March 2002 to 31 December 2002 €
Surplus on sale of fixed assets	-	249,467
Deposit Interest	187,022	30,633
Other income	11,627	-
	198,649	280,100

5. Distribution and Administration Expenses

	1 January 2003 to 31 December 2003	4 March 2002 to 31 December 2002
	€	€
Salaries & wages (including pension payments)	4,658,807	3,387,397
Travel & subsistence	149,276	170,750
Training & subscriptions	244,058	266,593
Marketing & promotions	164,365	64,748
Incidental expenses	76,427	98,731
Bank charges	15,280	11,734
Office premises expenses	376,489	212,034
General insurance	158,891	145,095
Light & heat	218,311	136,426
Cleaning	95,471	89,081
Postage & telephone	460,488	299,937
Bad debts provision	(200,000)	250,000
Depreciation	142,577	231,341
Consultancy	497,562	115,960
Contract photography	23,680	1,065
Legal & professional costs	29,781	16,216
Directors' fees	67,296	67,296
Outsourced payroll services	78,635	62,846
Audit fees	30,000	25,550
Stationery & office equipment	20,083	32,499
Bad debts	14,389	-
	7,321,866	5,685,299

OSi occupies premises rent free in the Phoenix Park, Dublin which is provided by the Office of Public Works. In December 2003 the Minister for Finance announced that OSi Headquarters will be relocating to Dungarvan, Co. Waterford.

6. Staff costs and employee information

	1 January 2003 to 31 December 2003	4 March 2002 to 31 December 2002
	€	€
Wages and salaries (including pension payments)	11,831,349	8,781,700
Social insurance costs	473,552	312,062
	12,304,901	9,093,762

The average number of persons employed during the period was 310.

7. Tax on profit on ordinary activities

	1 January 2003 to 31 December 2003	4 March 2002 to 31 December 2002
	€	€
Current tax charge for the period	-	710,503
Deferred tax:		
Origination and reversal of timing differences	(107,031)	(235,819)
Deferred tax charge/(credit) for the period	(107,031)	474,684

The current tax charge for the period is lower than the current charge that would result from applying the standard rate of Irish corporation tax to profit on ordinary activities. The differences are explained below:

	1 January 2003 to 31 December 2003	4 March 2002 to 31 December 2002
	€	€
Profit on ordinary activities before tax	1,425,512	3,836,585
Profit on ordinary activities multiplied by the average rate of Irish corporation tax for the period of 12.5% (16% in 2002)	178,189	613,854
Effects of:		
Disallowable expenses	(25,000)	1,735
Capital Grant Received	(358,845)	(182,909)
Depreciation in excess of capital allowances	162,558	275,066
Passive income taxed at 25% corporation tax rate	23,379	2,757
Unutilised losses	19,719	-
Current tax charge for the period	-	710,503

8. Tangible assets

	Motor Vehicles €	Office Computer Equipment €	Fixtures & Fittings €	Assets under development €	Total €
Cost or valuation					
At 1st January 2003	617,045	21,403,854	816,910	1,370,391	24,208,200
Additions	152,327	2,617,788	100,642	-	2,870,757
Transfers	-	1,370,391	-	(1,370,391)	-
Disposals	-	-	-	-	-
At 31st December 2003	769,372	25,392,033	917,552	-	27,078,957
Accumulated depreciation					
At 1st January 2003	480,778	19,557,098	602,132	-	20,640,008
Charge for the period	82,135	2,044,723	60,442	-	2,187,300
Disposals	-	-	-	-	-
At 31st December 2003	562,913	21,601,821	662,574	-	22,827,308
Net book amount					
At 31st December 2003	206,459	3,790,212	254,978	-	4,251,649
At 31st December 2002	136,267	1,846,756	214,778	1,370,391	3,568,192

9. Stocks

	31 December 2003 €	31 December 2002 €
Consumables	76,126	79,747
Map stocks	182,897	201,549
	259,023	281,296

10. Debtors

	31 December 2003	31 December 2002
	€	€
Amounts falling due within one year:		
Trade debtors	1,582,287	2,141,536
VAT	235,004	222,503
Other debtors	3,462	3,767
Prepayments	512,075	161,052
Amounts receivable on contracts	1,479,744	1,049,913
	<hr/>	<hr/>
	3,812,572	3,578,771

11. Creditors – amounts falling due within one year

	31 December 2003	31 December 2002
	€	€
Paymaster General	-	631,856
Trade creditors	466,368	417,444
Amounts owed to Minister of Finance	168,243	277,597
Corporation tax	710,503	710,503
Withholding Tax	-	2,158
Income Tax deducted under PAYE	154,823	100,499
Pay Related Social Insurance	67,598	54,137
Other creditors	161,991	80,879
Accruals	2,698,158	1,045,460
Payments in advance on long-term contracts	1,510,622	1,183,848
	<hr/>	<hr/>
	5,938,306	4,504,381

12. Reconciliation of movements in reserves

	31 December 2003	31 December 2002
	€	€
Opening revenue reserves	3,361,901	Nil
Surplus for the period after taxation	1,532,543	3,361,901
	<hr/>	<hr/>
Revenue reserves at 31st December	4,894,444	3,361,901

13. Future capital expenditure not provided for

OSi has not contracted for any future capital expenditure.

14. Commitments for outsourced mapping

OSi entered into contracts in 2001 with five companies for the supply of mapping services at a total projected cost of €9.9m. The contracts are for a duration of 4 years. At the end of 2003, expenditure of €4m had been incurred under the heading of Outsourced Mapping and the balance of commitments under the contracts was estimated at €5.9m. Expenditure incurred is accounted for in accordance with accounting policy 6.

15. Superannuation

OSi operates a Staff Superannuation scheme and a Spouses' and Children's Contributory Pension Scheme. These schemes are defined benefit superannuation schemes. Superannuation entitlements arising under the scheme are paid out of OSi current income and are charged to Income and Expenditure account, net of employee superannuation contributions, in the year in which they become payable. No separate fund is maintained and no assets are held, to finance the payment of pensions and gratuities. No provision is made in the financial statements in respect of any liability accruing in regard to future benefits.

Superannuation Costs

The charge for superannuation in the Financial Statements is made up as follows:

	2003 €
Pensions and gratuities paid	496,846
Payments under Voluntary Early Retirement Scheme	-
	<hr/> 496,846
Less Staff Contributions	221,782
	<hr/> 275,064

Superannuation Benefits

For the purpose of reporting in accordance with Financial Reporting Standard 17, Retirement Benefits (transitional arrangements), OSi has been advised by a qualified actuary. A valuation has been prepared by the actuary in order to assess the liabilities of the superannuation scheme at 31 December 2003.

The major financial assumptions used to calculate liabilities under FRS 17 are as follows:

	2003 % per annum
Inflation rate increase (a)	2.00
Salary rate increase	4.00
Pension rate increase	4.00
Scheme liabilities discount rate	6.00

On the basis of these and other assumptions and applying the projected unit method prescribed in FRS 17, the total accrued pension liability is calculated to be €58.7m.

(a) As provision increases under the OSi scheme are based on salary increases rather than price increases, a price inflation assumption is not necessary for the purpose of this valuation. However, since FRS 17 requires reference to an assumed rate of inflation, the above rate would be appropriate for this purpose.

16. Board Members' remuneration, loans and transactions

	31 December 2003 €	31 December 2002 €
Emoluments:		
– for services as Board Members	67,296	67,296
– for other services	-	-
	67,296	67,296

There were no loans to, or transactions with Board Members in the year ended 31st December 2003. The Board adopted procedures in accordance with guidelines issued by the Department of Finance in relation to the disclosure of interests by Board members and these procedures have been adhered to in the year. There were no transactions in relation to the OSi's activities in which Board Members' had any beneficial interest.

17. Post balance sheet events

There are no events of significance.

18. Approval of financial statements

The directors approved the financial statements on 8th September 2004.

