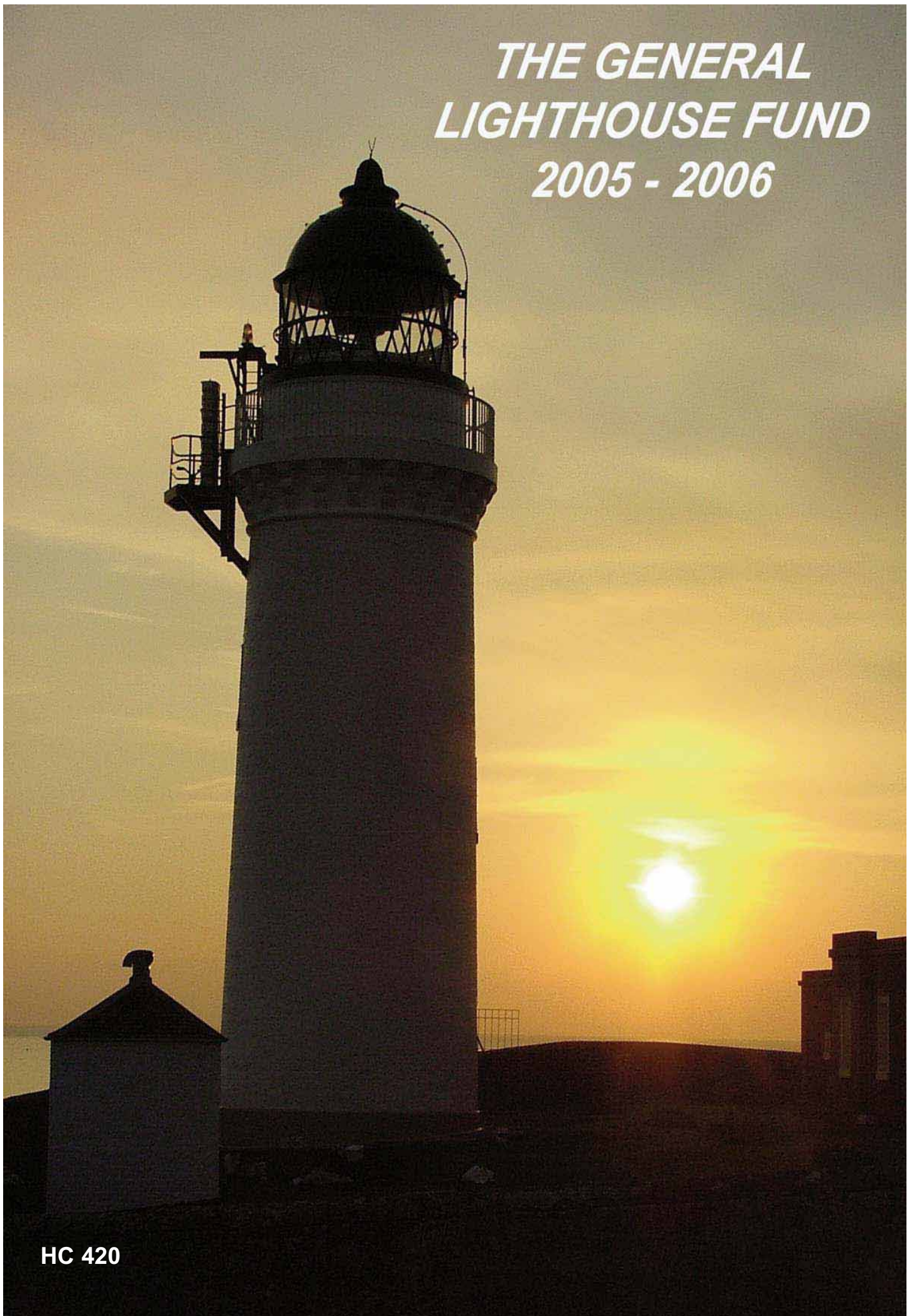


*THE GENERAL  
LIGHTHOUSE FUND  
2005 - 2006*



HC 420





# THE GENERAL LIGHTHOUSE FUND

## 2005 - 2006

Report and Accounts for the year ended 31 March 2006  
(in continuation of the House of Commons Paper No 419 of 2006/2007)

Presented by the Secretary of State for Transport pursuant to  
Section 211(5) of the Merchant Shipping Act 1995

Ordered by the House of Commons to be printed 29 March 2007

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## Introduction to the Report and Accounts

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The report and accounts of the General Lighthouse Fund (GLF) are prepared pursuant to section 211(5) of the Merchant Shipping Act 1995

### Accounting for the Fund

These accounts have been prepared in accordance with the 2005/2006 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

Where the FReM permits a choice of accounting policy, the accounting policy, which has been judged to be the most appropriate to the particular circumstances of the GLF for the purpose of giving a true and fair view has been selected. The GLF's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

In addition, these accounts have been prepared in accordance with the accounts direction issued by the Secretary of State for Transport in March 2003. The Fund's accounts consolidate the General Lighthouse Authorities accounts (GLA), the accounts maintained by the Department for Transport in combination with the two investment managers and the light dues collection accounts maintained by Trinity House.

### Statutory Background

Section 195 of the Merchant Shipping Act 1995 and Section 634 of the Merchant Shipping Act 1894, in respect of the Republic of Ireland, state that:

Responsibility for the provision and management of lighthouses, buoys and beacons on the coasts and seas around the British Isles is vested in the three General Lighthouse Authorities (GLA's):

- Trinity House (TH)
- Commissioners of Northern Lighthouses (known as Northern Lighthouse Board) (NLB)
- Commissioners of Irish Lights (CIL).

The Authorities also have wreck removal powers under section 253 of the 1995 Act and the Merchant Shipping (Salvage and Wrecks) Act 1993 in respect of the Republic of Ireland.

Trinity House is currently responsible under section 193(5) of the Merchant Shipping Act 1995 for Europa Point Lighthouse in Gibraltar. In addition, as a purely administrative arrangement, TH discharges the responsibilities of the Department for Transport at Sombrero (Anguilla) and Cape Pembroke (Falkland Islands). TH meets residual pension liabilities in respect of former employees of the Imperial Lighthouse Service in the West Indies and Sri Lanka.

The Merchant Shipping and Maritime Security Act 1997 gives the GLA's the powers to establish contracts to exploit spare capacity.

The General Lighthouse Authorities (Beacon: Maritime Differential Correction System) Order 1997 came into force on 12 January 1998 and states that the definition of 'Beacon' in the Merchant Shipping Act includes equipment for a Differential Global Positioning System.

The Merchant Shipping (miscellaneous Provisions) Act 1998 (ROI) gives the Commissioners the power to raise or borrow money from time to time for current or capital expenditure with the consent of the Minister for Finance, in respect of the Republic of Ireland.

### Code of Practice for Board Members

The GLA's have adopted codes of best practice for Commissioners and Board Members, which are based on the Model Code of Best Practice for Public Bodies issued by HM Treasury. The Code is underpinned by the Seven Principles of Public Life set out in the Committee of Standards in Public Life.

### Key Achievements During the Year

- Ministerial approval to the GLA Aids to Navigation strategy.
- The publication of the GLA's Aids to Navigation Review 2005.
- Progress in the depot restructuring including the commencement of the Dun Laoghaire project to centralise CIL depot office facilities, completion of the TH Harwich depot and office facilities, new facilities at St Just, the closure of East Cowes, Penzance and Great Yarmouth Depots and new stores facilities at Swansea.
- The development of e-navigation policies.
- The launch of the e-Loran trial to demonstrate the back up facilities to Galileo.
- Major changes to the GLA depot structure.
- Major progress on the new ship, notably the launching of THV Alert and the construction of NLV Pharos and THV Galatea.
- The completion of the stage 2 facilities for the electronic collection of light dues.

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## Management Commentary

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### Nature, Objectives and Strategy of The General Lighthouse Fund

The General Lighthouse Fund was created by statute in 1898 to provide funding for the three General Lighthouse Authorities (GLA's). The GLA's predate the establishment of the Fund by over 350 years. Trinity House can trace its origins back to 1514. An Act of 1566 gave the Corporation of Trinity House the powers to set up "so many beacons, marks and signs of the sea whereby dangers may be avoided and escaped and ships the better come unto ports without peril". The Northern Lighthouse Board and the Commissioners of Irish Lights can trace their origins to statutes passed in 1786.

Prior to 1836, aids to navigation were provided by a rather confusing mixture of the GLA's and private operators each levying a charge on passing ships. Private operators generally purchased the right from the Treasury or the Crown to provide the aid to navigation and to levy a charge. In 1836 Parliament decided that the GLA's should have compulsory powers to buy out private lighthouses. The current funding arrangements were established by the Merchant Shipping (Mercantile Marine Fund) Act of 1898, which separated the funding for aids to navigation from other marine items. It also passed responsibility to the fund for a number of colonial lighthouses, which had previously been funded by Treasury grants. As colonies have achieved independence these responsibilities have been passed on, leaving a small residual responsibility for Gibraltar and the Sombrero Light off Anguilla.

In recent years progress has been rapid. All lighthouses were automated by 1998 with controls centralised at each GLA's headquarters. Floating aids to navigation have been solarised. A differential global positioning system to enhance the US Global Positioning System has been provided since 1998 permitting the GLA's to close the expensive Decca Navigation System in 2000. The GLA's have focused on reducing costs with major investment programmes on both depots and ships. All of this has been achieved while reducing costs to the light dues payers - 50% in real terms since 1996 and the actual rate charged to commercial vessels has fallen from a peak of 43p per net ton in 1993 to 35p in 2006.

Today the GLA's are multi-skilled organisations providing a highly technical and specialised professional service. The primary aim of the GLA's is:

**To deliver a reliable, efficient and cost effective  
'AIDS TO NAVIGATION SERVICE'  
for the benefit and safety of all mariners.**

On 6th October 2004 the three GLA's announced a vision of the future of Aids to Navigation (AtoN) requirements around the United Kingdom and Republic of Ireland until the year 2020. The comprehensive strategy has been welcomed and accepted on behalf of the Government by the Transport Minister. This is the second time that the three GLA's have conducted a total, simultaneous review of all their AtoN requirements. The results of the first review were published in 1997/98. It is the intention to conduct such a review every five years. After extensive consultation with users and the Nautical Institute, the GLA's published their strategy for the future of aids to navigation to ensure that an efficient, relevant and cost effective service is provided for all mariners.

The maritime world is developing rapidly, as craft get larger and faster and traffic in busy areas such as the Dover Strait increases year on year. This coupled with rapid advances in technology mean that there are ever-greater demands placed upon the GLA's resources. However, the GLA's are confident that with a mix of visual and electronic aids, they are well placed to continue to provide a highly efficient service for the future.

2020 The Vision contains the following key findings:

The widespread reliance on Global Navigation Satellite Systems (GNSS) has encouraged mariners to navigate closer inshore and at night or reduced visibility - conditions under which they are less used to navigating. The GLA's will need to provide additional AtoN within these areas to mitigate risk.

With increases in traffic, there is an ever-increasing risk of grounding or collision; AtoN will be used to minimise risk to the vessels and the damage to the marine environment through pollution.

The GLA's envisage that Automatic Identification System (AIS) technology will significantly enhance and complement existing AtoN. The GLA's will apply AIS technology to selected AtoN during the period of this strategy.

With concerns about the vulnerability of GNSS, the GLA's consider the provision of a terrestrial radionavigation backup is essential. Currently E-LORAN has the potential to fulfil requirements but further investigation and analysis is needed.

Lighthouses will have a decreasing significance over time and some may be discontinued. Those that remain will have an enhanced role with value added services including: a platform for Differential Global Positioning System (DGPS), Racons and AIS; directional and sectorised lights; and meteorological data.

To deliver this strategy the three GLA's will continue to co-operate with each other and consult with all users to continuously review all its AtoN. The GLA's will continue to participate in International Association of Marine Aids to Navigation and Lighthouse Authorities (IALA) to ensure continuous representation of national interests, and to provide a seamless service for the mariner. Furthermore the GLA's will search for new cost effective technology that can deliver an ever more efficient service to ensure that the AtoN requirements of the next 15 years are met. Following the publication of the strategy document ("2020 The Vision") the GLA's have conducted a joint review of Aids to Navigation of the coasts of the United Kingdom and Ireland. The study has been carried out based solely on the minimum navigational requirements and does not at this stage take into account any other considerations. It does make recommendations to changes in the provision of Aids to Navigation. It is important to appreciate that the measures contained in the Review will not necessarily take place within the next 5 years, however they will shape the GLA's capital works and buoyage programme contained within individual corporate plans.

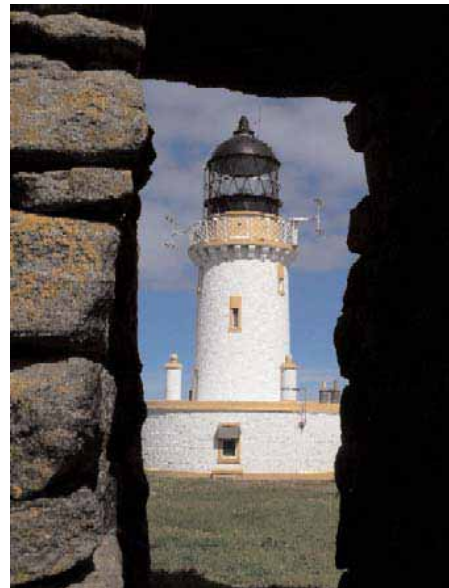
## Future Goals

The Department for Transport (DfT) is committed to:

- Working with the GLA's to implement the aids to navigation strategy set out in the GLA's consultation document "2020 the Vision", notably the e navigation strategy. In the DfT's view this will lead to both a safer navigation environment and the lowest reasonable costs to users.
- Work with the GLA's to review the best approach to meeting the GLA's pension commitments. A move to a funded scheme for new employees has been evaluated but a change to primary legislation would be required to create a separate fund.
- Maintain light dues at the lowest level compatible with meeting the GLA's statutory obligations, and the funding of the GLA's pension schemes.



**Hyskeir Lighthouse**



**Barra Head Lighthouse**



**Lighthouse Lens**



## Performance Indicators

### Aids to Navigation availability

#### Purpose

The key performance indicator used to measure, analyse and monitor the service actually provided to the mariner is 'Aids to Navigation Availability'. This indicator measures the actual availability of AtoNs (eg whether the light is flashing correctly or a buoy is on station) over a 3 year continuous period.

#### Definition, calculation and targets

The method of measurement and the recognised availability standards are set for each category by the International Association of Aids to Navigation and Lighthouse Authorities (IALA). They are published in the IALA Aids to Navigation Guide (NAVGUIDE – Fourth Edition December 2001).

Availability is measured by dividing total time (i.e. the sum of the total number of hours in a year multiplied by the number of Aids to Navigation in each category) into the difference between total time and the number of hours that the Aids were not available to the mariner. This calculation is then expressed as a percentage. Each of the physical Aids to Navigation operated is allocated a category and each category has an availability target:

Category 1 Availability Target 99.8%

An Aid to Navigation that is considered to be of primary navigational significance. It includes the lighted aids to navigation and racons that are considered essential for marking landfalls and primary routes.

Category 2 Availability Target 99.0%

An Aid to Navigation that is considered to be of navigational significance. It includes lighted aids to navigation and racons that mark secondary routes and those used to supplement the marking of primary routes.

Category 3 Availability Target 97.0%

An Aid to Navigation that is considered to be of less navigational significance than Category 1 and 2.

Source of data

The performance data is provided from the monitoring software.

Performance

See Pages 6-8

#### Changes to data or calculation

A review of these recommendations is due to be carried out by IALA over the next two years. However, the GLAs are confident that any new standards agreed will continue to be met or exceeded. The GLAs will also carry out a review of the categorisation of its own lights to ensure they meet the required definitions. In the past, the GLAs have reported availability statistics using headings not strictly in accordance with current accepted guidance. Since the three authorities have now adopted the guidance issued by the International Association Marine Aids to Navigation and Lighthouse Authorities' (IALA), these headings have been changed. In particular, they reflect the changes to availability targets being set for individual aids in accordance with each one's navigational importance. However, in moving towards the internationally-agreed performance criteria, it has proved impossible to back-calculate statistics for previous years because of the necessary changes to the groupings of Aids to Navigation.

## Performance Indicators For the General Lighthouse Authorities

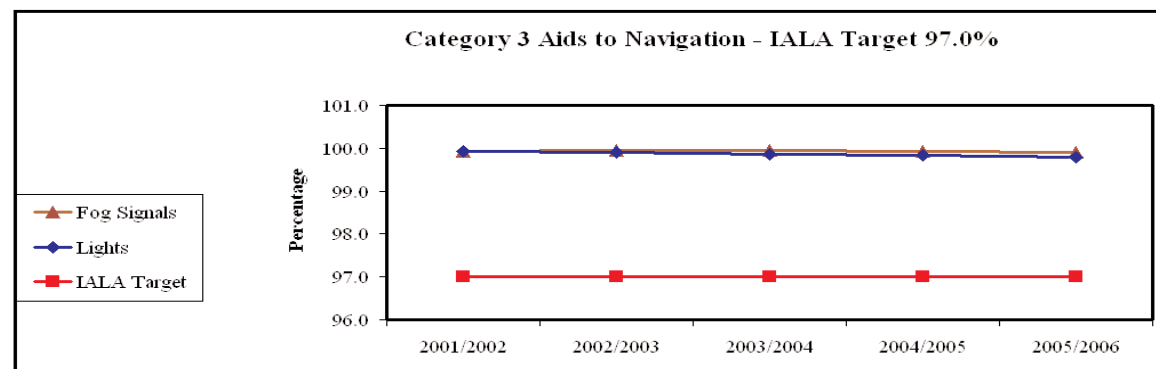
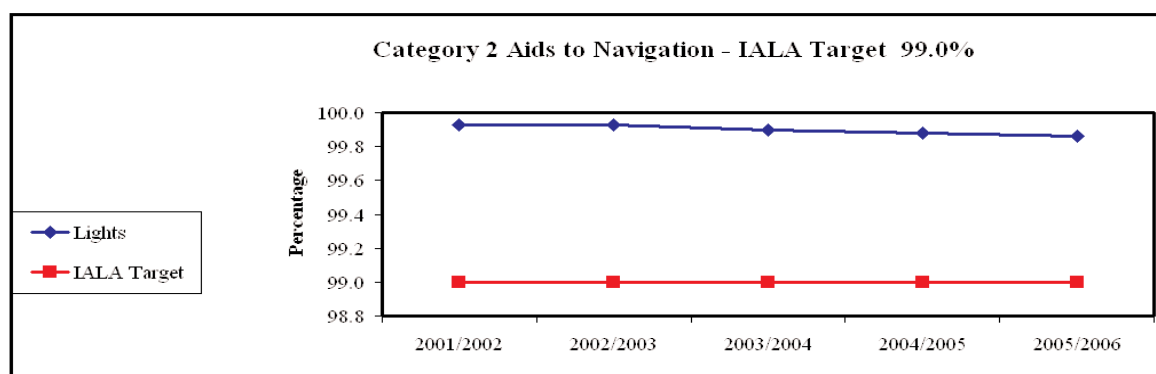
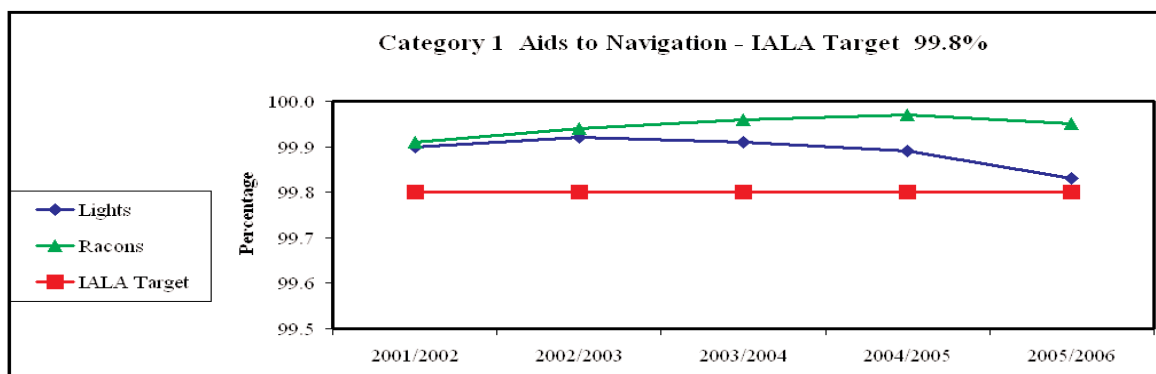
### Trinity House Lighthouse Service

Actual Performance of aids to navigation against the International Association of Aids to Navigation and Lighthouse Authorities (IALA) minimum standard.

AtoN Type	Category	IALA Minimum %	2001/2002 Actual %	2002/2003 Actual %	2003/2004 Actual %	2004/2005 Actual %	2005/2006 Actual %
Lights (Major)	1	99.80	99.90	99.92	99.91	99.89	99.83
Racons	1	99.80	99.91	99.94	99.96	99.97	99.95
Lights (Other)	2	99.00	99.93	99.93	99.90	99.88	99.86
Fog Signals	3	97.00	99.93	99.94	99.94	99.93	99.90
Lights (Buoys)	3	97.00	99.92	99.90	99.86	99.84	99.80

Three Year Rolling Averages

All aids were re-categorised from 2000/2001 in accordance with IALA policy. The previous designations are shown on brackets.



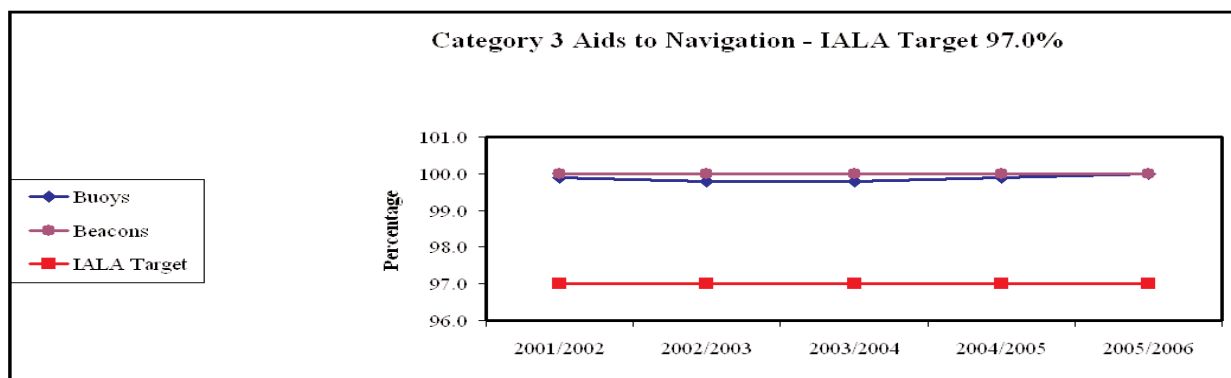
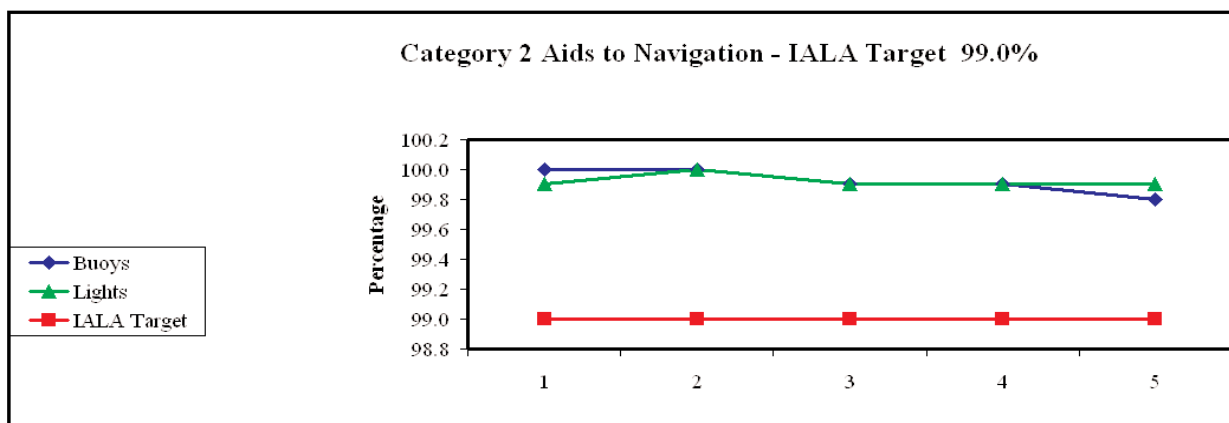
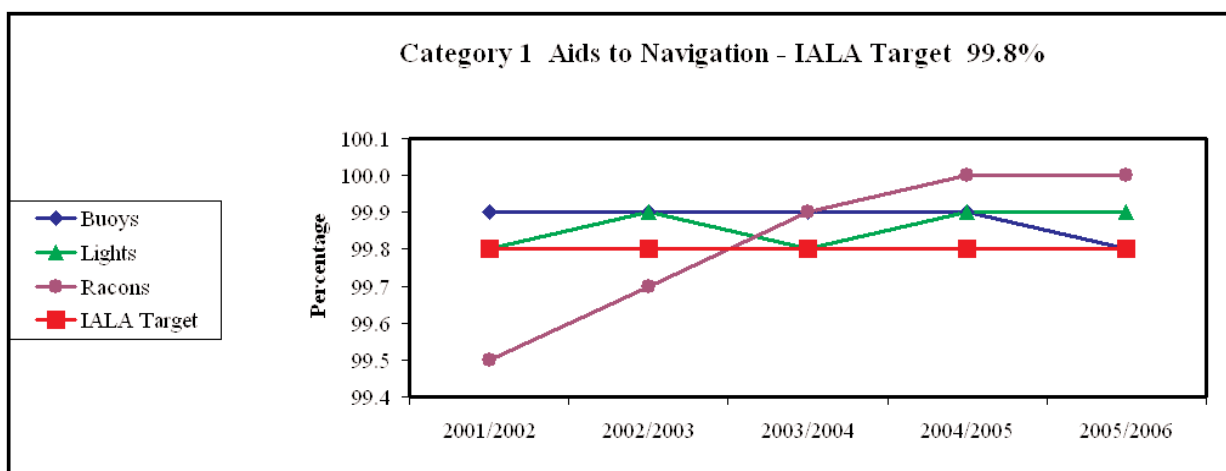
### Northern Lighthouse Board

Actual Performance of aids to navigation against the International Association of Aids to Navigation and Lighthouse Authorities (IALA) minimum standard.

AtoN Type	Category	IALA Minimum %	2001/2002 Actual %	2002/2003 Actual %	2003/2004 Actual %	2004/2005 Actual %	2005/2006 Actual %
Buoys	1		99.90	99.90	99.90	99.90	99.80
Lights	1		99.80	99.90	99.80	99.90	99.90
Racon	1		99.50	99.70	99.90	100.00	100.00
<b>Total</b>	<b>1</b>	<b>99.80</b>	<b>99.80</b>	<b>99.90</b>	<b>99.90</b>	<b>99.90</b>	<b>99.90</b>
Buoys	2		100.00	100.00	99.90	99.90	99.80
Lights	2		99.90	100.00	99.90	99.90	99.90
<b>Total</b>	<b>2</b>	<b>99.00</b>	<b>99.90</b>	<b>100.00</b>	<b>99.90</b>	<b>99.90</b>	<b>99.90</b>
Buoys	3		99.90	99.80	99.80	99.90	100.00
Beacon	3		100.00	100.00	100.00	100.00	100.00
<b>Total</b>	<b>3</b>	<b>97.00</b>	<b>100.00</b>	<b>99.90</b>	<b>99.90</b>	<b>99.90</b>	<b>99.90</b>

#### Three Year Rolling Averages

In moving towards the internationally-agreed performance criteria, it has proved impossible to back-calculate statistics for previous years because of the necessary changes to the groupings of Aids to Navigation

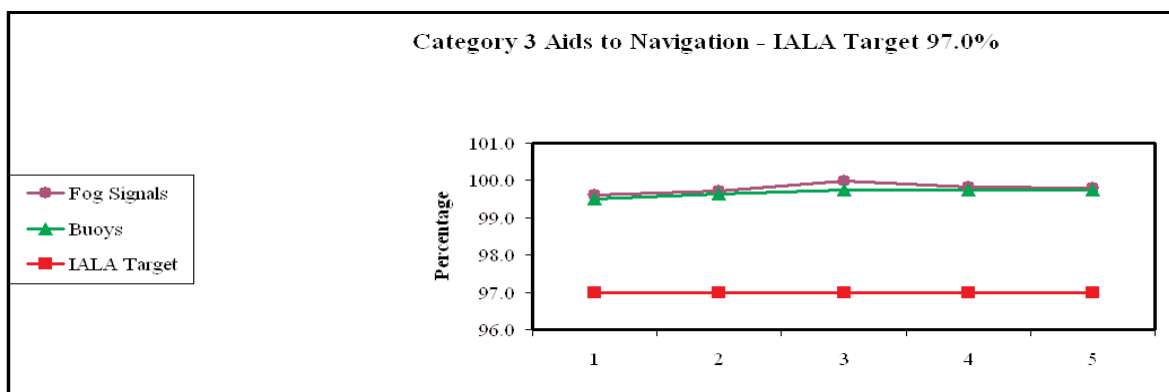
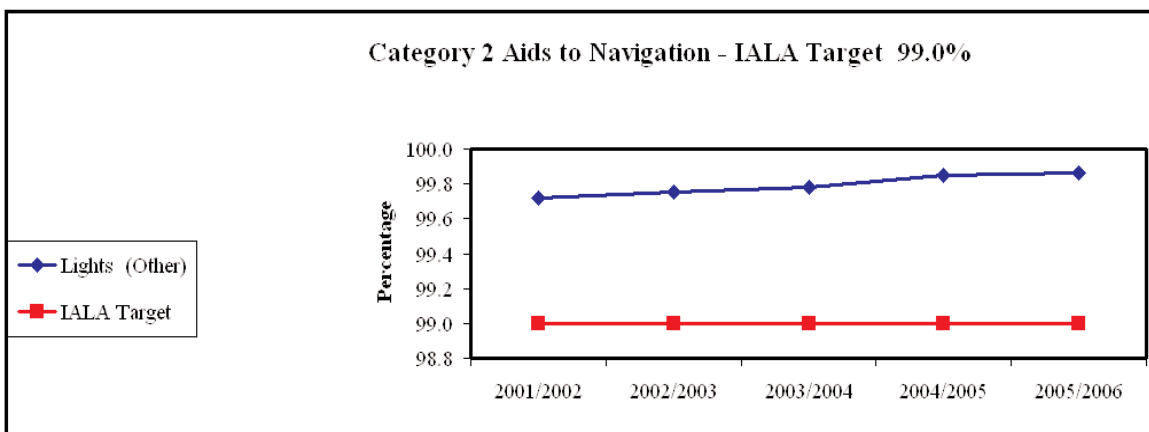
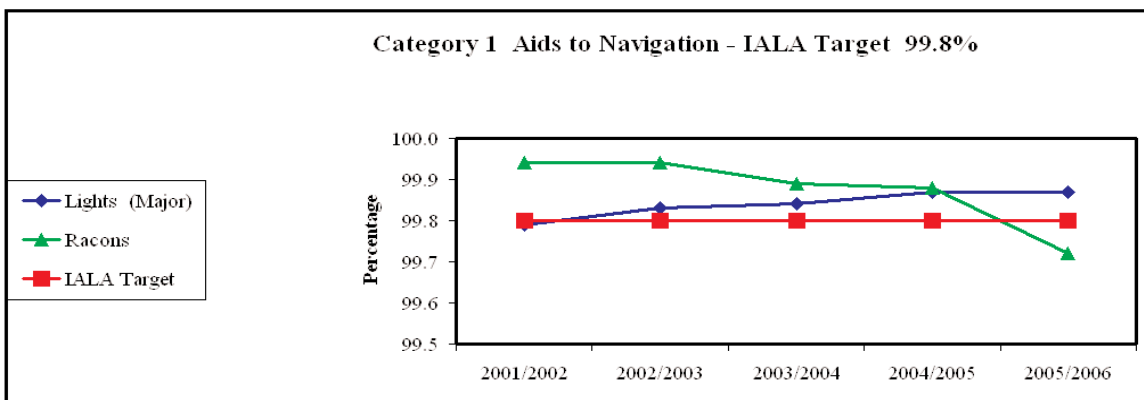


### Commissioners of Irish Lights

Actual Performance of aids to navigation against the International Association of Aids to Navigation and Lighthouse Authorities (IALA) minimum standard.

AtoN Type	Category	IALA Minimum %	2001/2002 Actual %	2002/2003 Actual %	2003/2004 Actual %	2004/2005 Actual %	2005/2006 Actual%
Major Lights	1	99.80	99.79	99.83	99.84	99.87	99.87
Racons	1	99.80	99.94	99.94	99.89	99.88	99.72
Other Lights	2	99.00	99.72	99.75	99.78	99.85	99.86
Fog Signals	3	97.00	99.62	99.72	99.88	99.83	99.79
Buoys	3	97.00	99.51	99.64	99.73	99.75	99.73

Three Year Rolling Averages



## Current and Future Developments

### Ships

The development of the GLA ship strategy continued during the year. Since 2002, the Department and the GLA's have been developing a strategy to replace most of the existing fleet of lighthouse tenders. This followed on the success of the CIL's ILV Granuaile introduced into service in 1999, which demonstrated the efficiency and cost effectiveness of an aft working design with a significantly larger buoy working deck. The review concluded that it would be cost effective to replace a major part of the fleet. A contract valued at £38 million was placed with the Remontowa yard at Gdansk for 3 new vessels. Leasing arrangements have been put in place, with RBS, to finance the purchase.

The Trinity House existing small boats (the Ready and Vectis), that provided survey and general support on the east coast based at the Harwich depot have been replaced by a rapid intervention vessel, the THV Alert. TH took delivery of THV Alert in spring 2006 and will provide rapid response to navigational emergencies in the busy south east corner of the UK, plus hydrographic survey capacity. Early experience suggests that the vessel offers a major contribution to the GLA's capabilities and should be able to generate significant commercial work to the benefit of the General Lighthouse Fund and the light dues payer.

The NLV Pharos, in service with the Northern Lighthouse Board since 1993, is to be replaced by a new vessel also to be called Pharos, the tenth vessel to bear that name. This vessel is a development of the Granuaile. The new Pharos was launched by the Princess Royal, patron of the NLB, in Gdansk in February 2006 and is scheduled to be delivered early in 2007. The existing Pharos was sold out of service in September 2006 in preparation for accepting the new vessel.

The THV Mermaid, in service with Trinity House since 1987, is to be replaced by THV Galatea, a sister vessel to the new Pharos. The Galatea was launched in July 2006, and is expected to enter service by the end of April 2007. Mermaid is planned to be sold out of service early in 2007.

The lease for NLV Pharos was terminated on 8 September 2006 and the vessel sold under the terms of the Charterparty to Byron Marine Ltd of the Falkland Islands. Under the terms of the Charterparty a lease termination fee was payable due to early termination to Royal Bank Leasing Ltd.

	<b>£'000</b>
Sale price	3,250
Less sale expenses	(130)
<b>Net Sale Proceeds</b>	<b>3,120</b>
Lease termination fee	7,181
2% of net sale proceeds	62
Payment to Royal Bank Leasing Ltd	7,243
Net sale proceeds	(3,120)
<b>Cash outflow on termination of lease</b>	<b>4,123</b>

In addition the buyers paid for marine fuel and oils on board at the handover date, this amounted to £51,000.

A provision of £7,671,000 for the estimated termination fee payable was originally recognised as at 31 March 2005. Following the sale of NLV Pharos and confirmation of the termination fee after the balance sheet date, £7,244,000 has been transferred to creditors due within one year and the remaining £427,000 released to the Income and Expenditure Account.



**NLV Pharos**



**ILV Granuaile**



**THV Galatea**



**THV Alert**

## GLA Depots

Work continues to update the GLA depot structure. The old structure was based on the need to support manned lighthouses and buoys with frequent changes of keepers and refuelling of gas powered buoys. The need to maintain aids to navigation has reduced substantially due to the automation of lighthouses, condition based maintenance, and solarisation of buoys.

The Northern Lighthouse Board led the move by rebuilding its main depot in Oban in 2001 and closing all other depots. Work is now in hand to consider the headquarters location with a review of the future of the existing HQ building and functions based in George Street Edinburgh.

The Trinity House review of all depot and headquarters functions resulted in the closure of the depots at Great Yarmouth, Penzance and East Cowes and building a new depot and office facility at Harwich. The new office facilities were opened by the Duke of Edinburgh, the Master of Trinity House in July 2005 and the new depot facilities came into operation early in 2006.

Work commenced in January 2006 to build new depot and office facilities on the existing CIL depot site at Dun Laoghaire. The project will be funded from the sale of the existing Pembroke Street building in Dublin. CIL expect to occupy the new offices by October 2007.



**Trinity House Buoy Shed**



**Dun Laoghaire**

## E-Navigation

E-navigation is defined as the collection, integration and display of maritime information onboard and ashore by electronic means to enhance berth to berth navigation and related services, for safety and security at sea and protection of the marine environment.

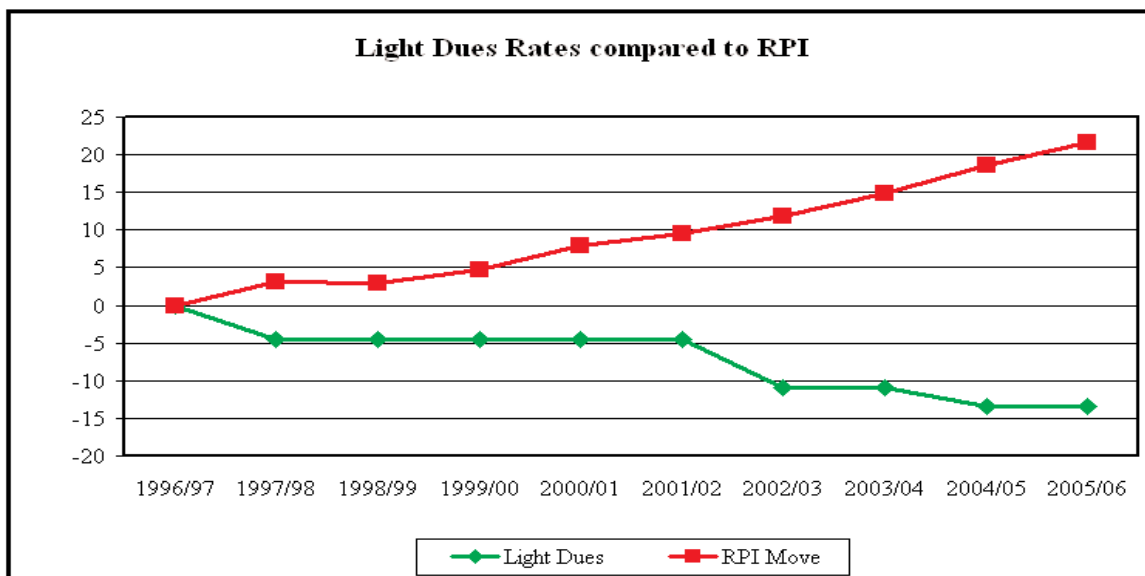
The GLA's review of the aids to navigation requirement "2020 the Vision" published in 2004, recognised that satellite navigation systems were the principle navigation systems used by the mariners. The review noted that these required an entirely separate back up system and the only available system was the existing traditional aids to navigation arrangements. The GLA's noted that a separate ground based radio navigation system could provide that back up and proposed the adoption of Loran C as that system. The GLA proposals were accepted by Ministers.

In 2004 DfT and the GLA's reached an agreement with BT to run a trial Loran system from the BT site at Rugby. This provided full Loran coverage in both the UK and Ireland. Subsequent tests have indicated that the system can achieve accuracy of less than 9 metres in enhanced Loran form. The GLA's and DfT are working together to promote the adoption of e Loran across Europe as a back up for the Galileo satellite system.

## Light Dues

Light dues were last increased in 1993 when the light dues rate was increased to 43p per net ton. Efficiencies in the GLA's operations have resulted in a number of rate reductions, ultimately to 35p per net ton with effect from 1 April 2006. The headline reserve figure has increased across that period reaching £97.2m million at 31 March 2006. The DfT seeks to maintain a reserve that finds a balance between maintaining a low light dues rate and providing stable funding to the GLA's. In setting light dues rates the Secretary of State has to ensure that the rate ensures secure funding for the three GLA pension schemes where costs are met on a "pay as you go" basis.

Considerable efficiencies have been made by moving to electronic collection of light dues. The new system permits collectors to register payments on line with automatic collection of the dues using the direct debit system. IT has improved the ability to follow up any non payments which are detected by comparing the ships that have made light dues payments with vessel movements recorded by ports.



## Legislation

Following the Department's acceptance of the GLA's aids to navigation strategy set out in 2020 the Vision, it was necessary to establish the Automatic Identity System (AIS) as an aid to navigation under the terms of Section 223(3) of the Merchant Shipping Act 1995. The affirmative statutory instrument was passed by both Houses of Parliament and became law in July 2006

Changes to light dues regulations were laid in March 2006. The effect of the changes was to:

- Reduce the light dues rate from 39p to 35p per net ton
- Remove the need to record and charge on both arrival and departure voyages to simplify recording, replacing this with charging on the arrival voyage only
- Removed the exemption for vessels arriving or departing in ballast. This exemption was no longer required as liability had been reduced to arrival only and vessels were unlikely to both arrive and depart in ballast.

Other exemptions, covering bunkering and emergencies were left in place. The DfT is monitoring the effect of these changes which are expected to reduce income by about 5% after taking account the increasing size of vessels calling at UK ports which has been increasing light dues income.

## Finance

The main income to the GLF derives from the power to charge light dues to vessels using UK and Irish ports. Other income is generated by income from the invested reserve, a grant from the Irish Exchequer, asset sales and income from the GLA's commercial activities as detailed in the account. The main GLF income relies on the maritime trading pattern of both the UK and Ireland and Parliament's willingness to agree appropriate changes to both the light dues regulations and the rates charged.

## Investment Contracts

In April 2000 the General Lighthouse Fund Investments were split between two investment houses, Morgan Stanley Quilter and HSBC Asset Management. In addition to the investment portfolio, Morgan Stanley Quilter also managed the Fund's cash reserve.

The contracts with the investment managers were for five years and extended for one further year in April 2005. During the course of the year 2005/06 an extensive review of investments, and a tender and selection process was undertaken with the help and advice of the Government Actuary's Department and the DfT Procurement section.

As a result new investment contracts were awarded from 1st July 2006, to Baillie Gifford & Co. and Martin Currie Investment Management Limited. Also from this date the cash reserve has been managed by HSBC Investment Limited.

<b>Investments analysis by Investment House</b>		Market Value 31/03/2006 £M	Cost 31/03/2006 £M
<b>HSBC</b>	Investments	41.4	35.6
	Cash for investments	2.3	2.3
<b>MSQ</b>	Investments	32.6	26.4
	Cash for investments	0.5	0.5
<b>Total</b>		<b>76.8</b>	<b>64.8</b>
Sterling Cash Reserve		19.5	19.5
Euro Cash Reserve		0.7	0.7
<b>Total Cash Reserve</b>		<b>20.2</b>	<b>20.2</b>

## Resources

### People

The most important resource that the GLF has at its disposal is people. The distribution of staff numbers between GLA's for this year and the forecast for the next two years, is shown in the table below.

	2005/06	2006/07	2007/08
<b>GLA</b>			
Trinity House	310	304	284
Northern Lighthouse Board	224	218	213
Commissioners of Irish Light	213	211	187
	747	733	684
<b>Inter GLA</b>			
Research & Radio Navigation	11	11	11
Light Dues	7	7	5
<b>Total</b>	<b>765</b>	<b>751</b>	<b>700</b>

There is a comprehensive Training Plan throughout the GLA's that aims to give staff the skills and knowledge required to perform efficiently. Staff are encouraged to develop through the performance and development system.

Research and Development is undertaken on behalf of the three GLA's by Trinity House. The Research and Radio Navigation (R&RNAV) Director exercises day-to-day control over the department.

The R&RNAV department carries out work in researching advances in technology and market testing of new products which have the possibility of providing more efficient and cost effective methods of providing Lighthouse Service requirements. It also participates in international forums such as the International Association of Marine Aids to Navigation and Lighthouse Authorities (IALA).

TH is also responsible for the collection of Light Dues on behalf of the three GLA's. A newly developed internet based collection system, operated by light dues collectors in each port, who are all members of the Institute of Chartered Shipbrokers, is used to collect of light dues.

### Physical Assets

In addition to staff, the GLF have a number of physical assets, which are essential to providing its service. These are detailed in note 12 to the accounts. The mariner is becoming increasingly more reliant on GNSS for position fixing. If the LORAN System in Europe can be upgraded to e-LORAN and adopted as the terrestrial radio navigation service as backup to GNSS for SOLAS Convention vessels, then the number of physical assets required for safe navigation is likely to reduce.

### Environment

The GLA's are totally committed to the protection of a sustainable environment and is fully attuned to the Government's initiatives for a more proactive consideration in this regard.



The GLA's are continually reviewing all issues affecting environmental considerations which take account of the sensitive coastline in which we operate and the occasionally hazardous nature of some of the operations we have to undertake.

The GLA's have placed high on the agenda the potential use of renewable energy sources such as solar power and we continue to research other sources such as wave and wind power and tidal flow.

## Disabled Employees

The policy of the GLA's towards the employment of disabled people is that a disability is no bar to recruitment or advancement. The nature of the duties at lighthouses impose some limitations on the employment of disabled staff. A Genuine Occupational Qualification could cover these posts.

## Equal Opportunities

The GLA's are equal opportunity employers and at every stage of recruitment, staff transfer and promotion, carefully ensure that the selection processes used in no way give any preference on the basis of gender, age, race, disability, sexual orientation or religion.

## Employee Involvement

The GLA's are committed to effective communications, which they maintain through formal and informal briefings, internal magazines, newsletters and electronic media, including their own Intranet services.

Consultation with employees is effected using a long-established but developing mechanism including joint committees covering all staff. Employees are informed of matters of concern to them; they are consulted frequently and regularly so that account may be taken of their interests.

## Principal Risks and Uncertainties

As part of the joint GLA risk management review each of the individual GLA risk registers has been analysed having regard to current best practice to produce twelve risks, which are considered to pose the greatest threat to the GLA's and their stakeholders including the GLF. In this context their stakeholders are seen as:

- The mariner and ship owner
- Their staff
- Suppliers and customers
- Government
- Society as a whole
- The environment

In compiling the document it was noted that certain other risks would have a significant impact on the GLA's but posed a lesser threat to the GLF - for example a change in Government policy regarding responsibility for the operation of the three Lighthouse Services. It was considered that the GLA's had a duty to challenge any such action, if it were not in the short or long term interest of the mariner. It was also noted that in the event that the GLF were wound up, there would be a pension liability estimated by independent actuarial valuation to be £305M as at 31st March 2006 on an accrued benefit valuation cash equivalent basis, comprising prospective benefits due to active members, deferred pensioners and pensioners. However, since the last review the GLA's had received a letter of comfort on behalf of the UK Secretary of State to the effect that in the event of there being insufficient money available in the GLF to meet the GLA's' pension liabilities, the UK Parliament would be asked to meet any shortfall. Pension contributions, which total £37M, however cannot be formally ring-fenced from operating costs and as such there is a danger that they could be used to meet any large unforeseen expenditure. Although not fully satisfactory, a declaration of contingent pension liabilities is made to Parliament each year by the DfT and a note acknowledging the liabilities added to the GLF Accounts. On this basis it was considered that pension liabilities whilst substantial did not at present represent a significant risk. The matter should be kept under review, particularly as new GLA employees were now required to pay a pension contribution of 3.5% of the salary.

The risks were grouped in accordance with the UK Risk Management Standard under the four headings of 'Strategic', 'Financial', 'Operational' and 'Hazard' and are shown below. Control measures in place to mitigate their effects are disclosed within the Statement of Internal Control, following also HM Treasury document 'Management of Risk - A Strategic Overview known as the 'Orange Book'.

## Strategic Risks

### *Pension Funding*

Long term funding of "pay as you go" pension arrangements.

## Financial Risks

### *Resourcing*

Reduction in resources for running lighthouse services (through pressure on Government from ship owners, review of funding arrangements, change in public spending policy, dock strike or similar).

### *Market Risk*

Adverse global market conditions impacting on the value of the GLF investment portfolio.

## Operational Risks

### *AtoN Provision*

Failure to provide or adequately maintain an aid to navigation with the appropriate characteristics, and/or in the correct location. Failure of monitoring staff to react appropriately. Failure to inspect inoperative or incorrectly operating aids to navigation, whether maintained by the GLA's, local ports or offshore industry.

### *Operational Staffing*

Inability to recruit / retain suitable staff; industrial action taken by staff.

### *Information Technology*

Major IT System failure. Unavailability of data. Loss of data/corruption of data.

### *Legislation*

Non-compliance with legislation or public policy.

### *Exploitation of spare capacity*

Non-compliance with contractual obligations including those arising from commercial activities. (Also a hazard risk)

### *Technological Change*

Failure to review and adapt or inadequately to implement changes in technology.

## Hazard Risks

### *Natural Events*

Natural Events leading to leading to wide scale disruption.

### *Health Safety and the Environment*

Failure to secure the health and safety of employees and third parties.

Accidental damage to the environment, lighthouses or contract helicopter (temporarily or permanently).

### *Wreck Marking*

Requirement to disperse a wreck where the costs cannot be recovered from the owner at the time of sinking.

(Also an operational risk)

## Relationships

### Department for Transport/GLA's

The General Lighthouse Fund is administered by the DfT, who sponsor the three General Lighthouse Authorities. The relationship between the GLA's and the DfT is set out in a framework Document (Incorporating Financial Memoranda and Management Statements).

### Lights Advisory Committee

The Lights Advisory Committee acts as an advisor to the Secretary of State on light dues matters. It is convened by the UK Chamber of Shipping, and comprising payers of light dues. It includes shipowners from all parts of the British Isles and most sectors of the shipping industry and representatives of the fishing industry. Port operators and cargo interests who are affected by light dues are also represented.

### User Consultation

The Joint User Consultative Group (JUCG) was formed in 1988 comprising representatives of the GLF, the three GLA's and the users of their services to enable a mutual exchange of information on major policy matters of concern within the field of aids to navigation. The JUCG assists in advising the Secretary of State for Transport on the changing requirements of marine aids to navigation.

### Investment Managers

As mentioned earlier in this report, the General Lighthouse Fund employs two investment managers Morgan Stanley Quilter and HSBC Investment Management Ltd. to manage the Fund's investment portfolio and to operate the banking arrangements that service the operational cash requirements of the GLA's. From the 1st July 2006 the management of the investment portfolio was transferred to Baillie Gifford & Co. and Martin Currie Investments Limited.

### Scottish Executive

The work of the NLB is a reserved matter under Section 30 of and Schedule 5 to the Scotland Act 1998. However, the NLB maintains a close relationship with the Scottish Executive as does the DfT under the terms of a concordat. Responsibility for matters relating to Section 34 of the Coast Protection Act 1949 has been devolved to the Scottish Executive and the NLB are consulted and advise the Scottish Executive on these applications.

### Department of Transport (Republic of Ireland)

Relationships with the Irish Department of Transport are managed through formal and informal meetings. There are a number of committees such as the "Maritime Safety Committee" which are used as the forum to share knowledge and to discuss policy issues in relation to maritime safety. The Irish Department of Transport are also responsible for approval and payment of the Irish Government Supplement on an annual basis.

## Revenue Commissioners (Republic of Ireland)

Light Dues in the Republic of Ireland are collected by the Revenue Commissioners, and transferred to the General Lighthouse Fund on a monthly basis. The Revenue Commissioners are paid a fee for this service.

## Financial Position

### Source of Finance

The GLA's are financed by advances made by the DfT from the Fund whose principal income is from light dues levied on shipping using ports in the United Kingdom and the Republic of Ireland. The Fund receives additional income from the Republic of Ireland Exchequer following an agreement entered into in 1985 and from sundry receipts generated by the GLA's, from buoy and property rental, workshop service and the sale of assets. The fund also receives income from investments. All three GLA's contained their running cost expenditure within levels sanctioned by Ministers. The level of light dues in the United Kingdom is determined by the Secretary of State for Transport under section 205 of the Merchant Shipping Act 1995. The Minister for the Department of Communications, Marine and Natural Resources sets light dues in the Republic of Ireland.

### Going Concern

These accounts have been prepared on a going concern basis as the management of the GLF are satisfied that the Fund's activities are sustainable for the foreseeable future.

### Accounting Judgement

In compiling these accounts management have taken the decision to continue to value the Great Yarmouth Depot at historic cost less depreciation. This depot is surplus to requirements and under FRS15-Tangible Fixed Assets, would normally be re-valued at open market value. However, due to the complexities involved before the site can be considered for sale, and the subsequent distorting effect this has on the open market value, the revaluation will be delayed until the repairs have been completed. This is expected to occur during 2006/2007.

### Accounting Policies

The Accounting Policies are reviewed each year in accordance with FRS18 - Accounting Policies, and as a result, software which was previously included as Tangible Assets, has been reclassified to Intangible Assets. See note 1(c) and note 11. All other Accounting Policies remain unchanged.

### Operating Results

The operating results for the year are set out in the Income and Expenditure account and show an operating surplus of £12.9m for 2005/06 (£9.5m in 2004/05). The total operating deficit of £673,000 was transferred to the Accumulated Reserve (2004/05 deficit £13.3m).

For 2005/06 the GLA's performance against the Cash Limits set by the DfT can be summarised as follows:

<b>Commissioners for Irish Lights</b>	<b>Actual Expenditure £'000</b>	<b>Cash Limits £'000</b>	<b>Variation £'000</b>
Running Costs	13,177	13,639	(462)
Capital Expenditure	1,268	2,076	(808)
Capital Dun Laoghaire	1,271	3,391	(2,120)
Pension & Ships Lease	5,634	5,718	(84)
<b>Total</b>	<b>21,350</b>	<b>24,824</b>	<b>(3,474)</b>
Less Dun Laoghaire	(1,271)	(3,391)	2,120
<b>Total Ex DL</b>	<b>20,079</b>	<b>21,433</b>	<b>(1,354)</b>

<b>Northern Lighthouse Board</b>	<b>Actual Expenditure £'000</b>	<b>Cash Limits £'000</b>	<b>Variation £'000</b>
Running Costs	13,353	14,251	(898)
Capital Expenditure	4,394	5,522	(1,128)
Expenditure on behalf of all GLA's	81	209	(128)
Pension & Ships Lease	4,741	4,724	17
<b>Total</b>	<b>22,569</b>	<b>24,706</b>	<b>(2,137)</b>

<b>Trinity House</b>	<b>Actual Expenditure £'000</b>	<b>Cash Limits £'000</b>	<b>Variation £'000</b>
Running Costs	23,410	25,440	(2,030)
Capital Expenditure	8,464	10,830	(2,366)
Expenditure on behalf of all GLA's	2,076	2,445	(369)
Pension & Ships Lease	6,747	7,044	(297)
Expenditure on behalf of all DfT	374	418	(44)
<b>Total</b>	<b>41,071</b>	<b>46,177</b>	<b>(5,106)</b>

## Pension Liability

There is a substantial, and rising, deficit on the General Lighthouse Fund's pension scheme and this is reflected in the accounts. The total liability, which was recognised on the Balance Sheet for the first time in 2003/2004, amounts to £305.4m as at 31 March 2006. As noted in the accounts the DfT will seek to ensure that annual revenue into the General Lighthouse Fund will be sufficient to meet pension liabilities as they fall due. The liability is also covered by a letter of comfort from the DfT. This letter of comfort is very valuable and could reasonably be considered to provide the security to the members of the scheme that assets held separately to specifically meet pension benefits would give. In fact it goes further than this as it effectively also underwrites the investment and life expectancy risks associated with funded pension schemes. However this guarantee is only a fallback position and there is a clear expectation that the liability will be discharged from the General Lighthouse Fund.

The management of the General Lighthouse Fund is very concerned with the pension liability and during the year it has, together with the three GLA's and the DfT, addressed a number of issues-

1. Legal advice has confirmed that part of the General Lighthouse Fund, including any contributions paid by members, cannot be protected from general liabilities to provide pension benefits. At 31st March 2006 the actuaries estimate that £42,309,000 of members contributions are held within the General Lighthouse Fund and are therefore unprotected. This is an undesirable situation for the Pension fund but options are restricted due to primary legislation.
2. The actuaries were commissioned to complete a long-term cash flow projection of pension costs. The result of this study has been used to inform the long-term cash forecasts for the General Lighthouse Fund.
3. A study is underway to consider the establishment of a new funded pension scheme that would be open to new entrants. This would have the benefit of transferring to the pension liability over time from the General Lighthouse Fund to a separately managed pension fund.

## Expenditure on Tangible Fixed Assets

During the year to 31 March 2006 the GLA's expenditure on fixed assets was as follows:

<b>Commissioners for Irish Lights</b>	<b>2005/06</b>	<b>2004/05</b>
	<b>£'000</b>	<b>£'000</b>
Assets in course of construction	882	555
Tenders, Ancilliary Craft & Floating Aids	607	723
Land & Buildings	0	198
Dun Laoghaire Redevelopment	1,416	272
Plant & Equipment	621	268
<b>Total</b>	<b>3,526</b>	<b>2,016</b>
<b>Northern Lighthouse Board</b>	<b>2005/06</b>	<b>2004/05</b>
	<b>£'000</b>	<b>£'000</b>
Assets in course of construction	933	1,932
Land & Buildings	1,040	490
Tenders, Ancilliary Craft & Floating Aids	1,237	453
Plant & Equipment	1,040	749
<b>Total</b>	<b>4,250</b>	<b>3,624</b>
<b>Trinity House</b>	<b>2005/06</b>	<b>2004/05</b>
	<b>£'000</b>	<b>£'000</b>
Lighthouse Modernisation & Equipment Replacement	469	930
Tenders, Ancilliary Craft & Floating Aids	808	1,020
Plant & Equipment	986	422
Harwich Redevelopment	6,029	5,455
Depot Improvements	134	125
<b>Total</b>	<b>8,426</b>	<b>7,952</b>

The Accounts Direction provides that fixed assets shall be stated at historic cost less depreciation. During 2005/06 the GLA's obtained independent valuations of various Headquarters and Depot Buildings. The difference between the open market value and the net book value are as follows:

<b>Assets</b>	<b>GLA</b>	<b>Market Value</b>	<b>NBV</b>	<b>Difference</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Harwich Depot	TH	4,500	9,732	(5,232)
Great Yarmouth Value	TH	(50)	3	(53)
Penzance Depot	TH	750	750	-
Swansea Depot	TH	150	473	(323)
Edinburgh Headquarters	NLB	4,020	370	3,650
Oban Depot	NLB	1,015	3,578	(2,563)
Dublin Headquarters	CIL	18,333	56	18,277

Trinity House London is owned by the Corporation of Trinity House and is not an asset of the GLF.

## Finance Leasing Arrangements

There is exposure on the finance leases for the ships to a change in the main rate of Corporation Tax. During the setting up of the ships finance leases the GLA's evaluated the option of eliminating this exposure. However, it was found that the financial risks were not significant.

The financing arrangements under the lease agreements for the new ships, NLB Pharos and THV Galatea means that NLB and TH have exposure to interest rate risk. The stage payments payable to the shipyard and other contract costs incur interest at the 1 month London Inter Bank Offer Rate during the construction phase. TH and NLB have the option to fix the interest rate for the duration of the lease.

## Cash Draw Downs and Liquidity

The three GLA's rely primarily on advances from the General Lighthouse Fund for their cash requirements. As a result of this Liquidity Risk is controlled within the GLF bank accounts. The GLA's withdrew during the year the following:

Commissioners of Irish Lights	£20.2m
Northern Lighthouse Board	£20.7m
Trinity House	£37.0m
	<b>£77.9m</b>

The principal source of cash for the GLF during the year was:

Light Dues	£74.9m
Irish Government Contribution	£ 3.7m
	<b>£78.6m</b>

## Payment of Creditors Policy

The GLA's seek to adopt the conventions within the British Standards BS 7890, "Methods for achieving good payment performance in commercial transactions" which are reflected within the GLA's internal practices. Payment of all creditors' accounts are arranged by the date stipulated within the contract or other agreed terms of credit. Exceptions to this are as follows:

1. Payment within a shorter timescale where a discount may be available;
2. Where there is a genuine dispute in respect of the invoice concerned. In all cases the supplier is immediately informed of the details of the query and that the payment will be withheld pending resolution.

Suppliers are informed of our policy via a supplementary notice within contracts and are asked to provide any comments on this issue to the Director's of Finance. The proportion of the amount owed to trade creditors at 31 March 2006 compared to the amount invoiced by the suppliers during the year equated to the following proportion of days.

Trinity House	2 days
Northern Lighthouse Board	18 days
Commissioners of Irish Lights	30 days

## Audit

The accounting records of the GLA's and the consolidated General Lighthouse Fund are examined by the UK Comptroller and Auditor General. The accounts are prepared under the terms of the 2005/2006 Government Financial Reporting Manual (FRM) issued by HM Treasury and the accounts direction. The accounting policies contained in the FRM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

So far as the Accounting Officer is aware, there is no relevant audit information of which the General Lighthouse Fund's auditors are unaware, and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the General Lighthouse Fund's auditors are aware of that information.

## Extra Territorial Waters

It has been questioned whether the GLAs' existing statutory powers, as set out in Section 193 of the Merchant Shipping Act 1995, cover adequately expenditure in respect of certain activities outside territorial waters.

The expenditure in question is modest - accounting for less than 1% of GLAs' running costs in a typical year - but the activities are an important and valuable element of the GLAs' overall aids to navigation service. They include urgent action on safety grounds to mark wrecks, and more permanent installations, such as light vessels marking the Dover Straits Channel separation scheme, required to meet the UK's international obligations under the International Convention on the Safety of Life at Sea.

The Government has come to the view that it is not clear whether the GLAs' statutory powers extend outside the UK's territorial waters. There are respectable arguments either way. Unless or until a Court rules on the issue there is no definitive answer. It is the Government's intention therefore to take an early opportunity to clarify the legislation, to put beyond doubt that the GLAs may operate outside territorial waters.

The Lights Advisory Committee, representing the payers of light dues, has made it clear it has no intention of challenging the legitimacy of this expenditure. Furthermore, the Government believe that the activities funded by this expenditure are essential to meet the objectives of the GLAs and to protect shipping, and have been widely accepted and valued over an extended period of time. The view has been taken that the risks arising from discontinuing or modifying these activities far outweigh the remote risks of a legal challenge to the regularity of this expenditure.

## Post Balance Sheet Events

- In July 2006 the Commissioners of Irish Lights sold their headquarters at 16 Lower Pembroke Street, Dublin, for Euros 26.28 million realising a profit of Euros 26 million. This has been treated as a non adjusting post balance sheet event.
- James Taylor's (Chief Executive of NLB ) contract of employment was terminated by mutual agreement on 30 April 2006. A provision of £20,000 was made in the accounts for a payment as compensation for loss of office and/or employment. Agreement was reached on the terms of the termination on 28 April 2006 and a payment of £20,000 was paid in May 2006.
- Roger Lockwood was appointed Chief Executive of NLB on 1 May 2006.
- The lease for NLV Pharos was terminated and the vessel sold out of service on 8 September 2006. (see page 9)
- With effect from 1st April 2006, TH took over the administration of Trinitas Services Ltd (TSL) and Commodore P J Melson (Director, TH) was appointed chairman of TSL on 2nd April 2006. Mr G Callen (Finance Manager, TH) was appointed Company Secretary.

Sir David Rowlands  
Accounting Officer  
22 March 2007

## Constitutions of the General Lighthouse Authorities and their Board Members

### Trinity House

Trinity House became a chartered corporation in 1514 and is managed by its active Elder Brethren under the chairmanship of the Deputy Master. Its statutory responsibilities as a General Lighthouse Authority are exercised by the Trinity House Lighthouse Board, which was established in its present form on 1 January 1985. The voting members of the Board currently include the Deputy Master, three Elder Brethren and three nominees of the Secretary of State for Transport. In addition currently two senior officials of Trinity House are non-voting members of the Board.

The membership of the Trinity House Lighthouse Board during 2005 - 2006 was as follows:

#### Elder Brethren

Rear Admiral J M De Halpert	Executive Chairman
Captain D C Glass	Deputy Chairman, Director of Navigational Requirements
Commodore P J Melson	Director of Operations & Asset Management
Captain N R Pryke	Non-Executive

#### Nominees of the Secretary of State for Transport (DfT)

W A C Thomson	Non-Executive
P R A Bainbridge	Non-Executive
D A Coltman	Non-Executive

#### Non Voting Directors

J S Wedge	Director of Finance & Support Services
D M Golden	Technical Director (retired 31 December 2005)

#### Secretary

J Price	Legal & Risk Manager
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The Trinity House Executive Chairman combines the role of Chairman and Chief Executive. The Board considers this provides the most efficient and effective use of resources without compromising the basic principles of good governance. Although the Combined Code advocates separation of these two roles, there are further checks and balances, not available to listed companies, provided by the trustee actions of the Secretary of State for Transport as exercised by Ports Division of DfT.

### Northern Lighthouse Board

The Commissioners were established as a corporate body in 1786. Their incorporation is set out in Section 193 and Schedule 8 of the Merchant Shipping Act 1995 and, is as follows:-

- (a) The Lord Advocate and the Solicitor-General for Scotland;
- (b) The Lords Provosts of Edinburgh, Glasgow and Aberdeen and the Conveners of Highland and of Argyll & Bute Councils;
- (c) The Sheriffs Principal of all the Sheriffdoms in Scotland;
- (d) A person nominated by the Lieutenant Governor of the Isle of Man and appointed by the Secretary of State;

In addition, the Commissioners may elect;

- (e) Up to five other persons elected by the Commissioners under, and subject to the proviso set forth in, paragraphs 2 and 3 of Schedule 8 to the Act;
- (f) The convener of any council whose area includes any part of the coast of Scotland.

The ex-officio appointments are for duration of the occupancy of the qualifying office.

Persons appointed under (d) and (e) above hold office for three years but may be re-appointed for further terms. The Commissioners have determined that they will not hold office beyond 70 years of age.

The Commissioners have also agreed with the DfT that the Secretary of State will nominate one person for election under (e) above.

#### The membership of the Northern Lighthouse Board in 2005/2006 was as follows:-

##### Law Officers for Scotland

The Rt Hon Colin Boyd QC, The Lord Advocate  
Elish Angiolini QC, Solicitor General for Scotland

##### Sheriffs Principals of the Sheriffdoms in Scotland

Sheriff Principal Edward F Bowen QC - Sheriff Principal of Lothian & Borders  
Sheriff Principal Bruce A Kerr QC - Sheriff Principal of North Strathclyde  
Sheriff Principal John McInnes QC - Sheriff Principal of South Strathclyde, Dumfries & Galloway (retired on 31 October 2005)



Sheriff Principal R Alastair Dunlop QC - Sheriff Principal of Tayside, Central & Fife  
Sheriff Principal Sir Stephen Young Bt QC - Sheriff Principal of Grampian, Highland and Islands  
Sheriff Principal Brian Lockhart - Sheriff Principal of South Strathclyde, Dumfries and Galloway (appointed on 1 November 2005)  
Sheriff Principal James A Taylor - Sheriff Principal of Glasgow and Strathkelvin (appointed on 1 November 2005)

**Nominated by the Lieutenant-Governor of the Isle of Man and appointed by the Secretary of State**

Robert Quayle

**Elected by the Commissioners**

Captain Kenneth MacLeod, Chief Executive Northern Marine Management Ltd  
Peter Mackay CB, Formerly Secretary and Chief Executive of the Scottish Office Industry Department (Chairman)  
Captain George Sutherland, Formerly Director of Marine Operations, Shetland Islands Council (Vice Chairman)  
Alistair Whyte

**Nominated by the Secretary of State and elected by the Commissioners**

Dr Andrew Cubie CBE FRSE

**Lord Provosts**

Councillor Lesley Hinds JP, The Rt Hon Lord Provost of Edinburgh  
Councillor Liz Cameron JP, The Rt Hon Lord Provost of Glasgow  
Councillor John Reynolds JP, Lord Provost of Aberdeen

**Convener of Highland Council**

Councillor Bill Smith (resigned on 14 May 2005)  
Councillor Alison Magee (appointed on 15 May 2005)

**Convener of Argyll & Bute Council**

William Petrie OBE JP DL.

**Patron**

Her Royal Highness The Princess Royal KG KT GCVO QSO continues to act as the Patron of the Northern Lighthouse Board.

**Senior management**

The Board has appointed a Chief Executive and three Directors to manage day-to-day activities:

James Taylor FRIN FCMI - Chief Executive (resigned 30 April 2006)  
Moray Waddell B.Sc.(Hons) MSc MIEE MIMechE MCIBSE- Director of Engineering  
Guy Platten AFRIN - Director of Operations and Navigational Requirements  
Douglas Gorman ACMA MIIA FIIA - Director of Finance and Administration

## Commissioners of Irish Lights

The Commissioners of Irish Lights are a statutory body of 21 members, with perpetual succession, to provide and maintain Aids to Navigation around the coast of Ireland.

The original number of Commissioners was 22, the constitution of the Board being the Lord Mayor and the High Sheriff of Dublin, 3 Aldermen elected by the Municipal Corporation of Dublin annually and 17 co-opted members vacancies filled by the Board as they occur. The office of High Sheriff of Dublin having been abolished, the maximum number of Commissioners is now 21. It was agreed by the Board on 1 January 1996 that the number of co-opted members be reduced from 17 to 12.

**The membership of the Board in 2005/2006 was as follows:**

**Commissioners**

Mr F. J. Boland (Chairman)  
\* Mr J. Kidney, FCA (Vice Chairman)  
\* Mr D. W. Delamer (Deputy Vice Chairman)  
\* Mr M. A. O'Neill  
Mr M. W. S. Maclaran, B.A.  
\* Mr J. Gore-Grimes, B.A., LL.B.  
The Lord Glentoran, C.B.E., D.L.  
\* Mr T. C. Johnson  
\* Ms S. M. Tyrrell  
Ms M. Gallagher  
Commodore J. J. Kavanagh  
Ms E. Shanks

**(\* Member of Audit Committee)**

Mrs Alexandra Bedlow - Secretary to the Board

**Ex-officio Commissioners (Representatives of Dublin City Council)**

The Rt. Hon. The Lord Mayor Councillor C Byrne (in office July 2005 to date)  
Councillor Eric Byrne  
Councillor Terence Flanagan

## Executive Members

The Board endorses and complies with the principle of separation of the roles of Chairman and Chief Executive.

The Commissioners have appointed a Chief Executive and five Executive Heads of Departments to run the day to day activities of the Service:

Stuart Ruttle, M.A., B.A.I., PhD., C.Eng., M.I.E.I., F.R.I.N. -	Chief Executive
Eur Ing Seamus Doyle BE CEng FIEE MRIN-	Head of Engineering
Captain Shay Hickey, M.N.I. -	Head of Marine
Martin Dyas, F.C.M.A. -	Head of Finance
Tom Elliott -	Head of Human Resources
John Burke, MSc (IT), BAgrSc (Econ) -	Head of Information Systems

On 23 April 2004 the Commissioners appointed the Chief Executive and Heads of Departments as Executive Board members without voting rights.

## Remuneration Reports

The management of the General Lighthouse Fund are appointed by the Secretary of State for Transport, and are remunerated in accordance with the relevant Civil Service pay scale. The costs incurred by DfT are charged to the GLF on an annual basis. The Directors of the three General Lighthouse Authorities are remunerated as set out below.

### Trinity House

TH has two remuneration committees:

#### Remuneration Committee

This Committee assesses Directors pay and comprises three non-executive Directors, who have no personal financial interest other than as non-executives, in the matters to be decided, no potential conflicts of interest arising from cross-directorships and no day-to-day involvement in the running of the Service. The Committee operates under Terms of Reference drawn from the Code of Best Practice prepared by the Study Group on Directors' Remuneration (The Greenbury Code). The Committee consults the Executive Chairman about its proposals other than in relation to the Chairman's own remuneration and has access to professional advice from inside and outside sources. The Committee consults the DfT in relation to the performance of the Executive Chairman as regards his responsibilities acting as equivalent to the Accounting Officer.

#### Membership of the Remuneration Committee is:-

W A C Thomson (Chairman)  
D A Coltman  
P Bainbridge

#### Executive Remuneration Committee

In February 2004 the Board established an Executive Remuneration Committee to determine fair remuneration for staff below Director level and ensure that staff of the right quality are attracted, retained and motivated, within budgetary constraints and public sector policy. The Committee operates under Terms of Reference that directly support the Remuneration Committee. The Committee consults the Executive Chairman, the DfT and other GLAs as and when appropriate and beneficial to ensure decisions are consistent and reflective of best practice.

#### Membership of the Executive Remuneration Committee is:

J S Wedge (Chairman)  
Commodore P J Melson  
Captain D C Glass

TH Remuneration Committees are responsible for developing, reviewing and implementing the following:

### Remuneration Strategy

TH operates a remuneration strategy based on spot rate salaries informed by job evaluation and market testing.

TH uses the Hay job evaluation methodology which provides a sound, tried and tested approach to job evaluation that ensures consistency and fairness across job groups and directorates. It also enables us to benchmark with external comparators to ensure our salary rates remain competitive. We aim to pay within the mid to upper quartile of the market in order to attract and retain quality staff.

Competency frameworks have been developed for all administrative positions and the lower level technical posts. These frameworks allow employees to develop their skills and progress internally, thus facilitating succession planning. Reward based purely on length of service is avoided, as progression within the competency frameworks is dependent upon the achievement of various qualifications and skill levels.

TH market tests all positions throughout the service every 2 years to ensure our pay rates remain competitive.

### Pay Policy

TH pay policy has been informed by professional research conducted in-house plus independent advice from external pay consultants.

The policy states that all positions below management level are evaluated using the job evaluation methodology and are market tested against the local market. Management positions are tested against the national market. This is a best practice approach and allows the organisation to attract highly skilled individuals into senior posts from other areas of the UK or overseas whilst contributing towards the local employment market by encouraging a good level of applicants from within the region for technical and administrative positions.

### Performance Related Pay System

TH operates a performance related pay system to incentivise staff. The current system is designed to increase staff awareness and understanding of corporate level objectives and ensure that personal objectives link to departmental plans and organisational level strategy.

An annual staff bonus is linked to the appraisal cycle. Every individual's performance and achievement is assessed in relation to objectives, behavioural and technical competencies. Bonus allocation is determined by individual performance and organisational level success against the year's corporate level objectives.

## Equal Pay for Equal Value

Trinity House is dedicated to ensuring that its remuneration strategy is fair and consistent. Detailed Equal Pay audits are conducted every two years to ensure pay comparators are benchmarked and reviewed for all posts across the service. Every job is evaluated and market tested in line with our pay policy to maintain a competitive remuneration strategy and ensure compliance with legislation.

## Directors Pay

The creation of long-term effectiveness depends on the talents, contribution and commitment of the Executive Chairman and Directors; their success depends on the Board's ability to attract and retain people of high quality. It is essential that the remuneration structure should be competitive with those of comparable organisations. The remuneration policy seeks to balance the fixed cost element with variable reward, providing the opportunity for variable remuneration in the form of performance-based bonuses.

The Remuneration Committee has assessed the remuneration of Executive Directors against the following criteria:

- Job weight
- Market pay comparisons
- Performance

In order to recognise performance against objectives, the Committee has approved an annual performance-based bonus system. Payments are determined by achievement of demanding objectives as part of a performance appraisal process.

## Remuneration of Directors

Name	Salary inc	Benefits
	Performance Pay	
	£'000	£
J.M.de Halpert	100-105	-
P.J.Melson	90-95	* 27,329
J.S.Wedge	85-90	2,676
D.C.Glass	75-80	265
D. M. Golden (retired on 31 December 2005)	45-50	* 7,478
W.A.C.Thomson	05-10	2,015
D.A. Coltman	05-10	1,919
P.R.A.Bainbridge	10-15	654
N. R. Pryke	10-15	345

The emoluments of Board Members (excluding the Executive Chairman) comprise:

	2005/2006	2004/2005
	£'000	£'000
Fees	40	44
Salaries	269	292
Performance Pay	41	44
Benefits in kind	43	46

Benefits represent travel and subsistence expenses (including tax), relocation expenses and reimbursement of subscriptions to professional bodies.

\* The benefits included here are part of the operational costs required to run a two site operation, which involves travel to and the management of two separate locations.

The Executive Chairman's only emolument is a salary of £102,235 (2004/2005 - £97,695) which included a performance related element of £16,101 (2004/2005 - £14,195).

The Executive Chairman and Directors of TH are members of the Trinity House Lighthouse Service Pension Scheme and are entitled to compensation for permanent loss of office under the terms of the Trinity House compensation scheme which is by analogy to the Civil Service compensation scheme. Their contracts are ongoing until the age of 65, subject to satisfactory performance, and require a twelve month written notice period.

Non-Executive Directors are employed on fixed term contracts for a period of 3 years, the term may be extended where appropriate. They are entitled to compensation for permanent loss of office under the terms of the Trinity House compensation scheme which is by analogy to the Civil Service compensation scheme.

Non-Executive Director	Contract Start	Expiry Date
Captain N.R.Pryke	18th November 2004	24th January 2008
W.A.C.Thomson	1st April 1993	20th July 2006
P.R.A.Bainbridge	22nd July 1997	21st July 2007
D.A.Coltman	23rd October 2001	23rd October 2007

## Pensions

All Executive Board Members of Trinity House Lighthouse Service (including the Executive Chairman) are ordinary members of the Trinity House pension scheme. They are entitled to compensation for permanent loss of office under the terms of the Trinity House compensation scheme which is analogous to the Civil Service compensation scheme. Their contracts are ongoing until the age of 65, subject to satisfactory performance.

	Real Increase in pension £'000	Real Increase in lump sum £'000	Accrued Pension £'000	Accrued Lump Sum £'000	Cash Equivalent Transfer Value at 31 March 2005 £'000	Cash Equivalent Transfer Value at 31 March 2006 £'000	Real increase in Cash Equivalent Transfer Value £'000
J.M.de Halpert	0 - 2.5	-	5 - 7.5	-	66	119	10
J.S.Wedge	0 - 2.5	5-7.5	15 - 17.5	47.5 - 50	183	278	36
P.J.Melson	0 - 2.5	-	7.5 - 10	-	140	198	11
D.C.Glass	0 - 2.5	-	7.5 - 10	-	115	173	20
D.Golden *	0 - 2.5	0-2.5	2.5 - 5	10 - 12.5	40	60	8

\*(retired on 31 December 2005)

Columns 5 and 6 of the above table show the Cash Equivalent Transfer Value (CETV) of the directors' pension benefits accrued at the beginning and end of the reporting period. A CETV is the actuarially assessed capitalised value of the pension 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. It 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 pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total pensionable service in the Trinity House Lighthouse Service pension scheme, not just their current appointment. CETV's are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Column 7 reflects the real increase in the value of the CETV. It takes account of the increase in accrued pension due to inflation and contributions paid by the director and is calculated using common market valuation factors for the start and end of the period.

## Northern Lighthouse Board

### Composition

The Board's Remuneration Committee is made up of five Commissioners who have no personal financial interest, other than as Commissioners, in the matters to be decided, no potential conflicts of interest arising from cross-relationships, and no day to day involvement in running the Northern Lighthouse Board other than as members of the Board of Commissioners and the Managing Board.

The Committee consults the Chief Executive about its proposals, other than in relation to his own remuneration, and has access to professional advice from inside and outside of the Board.

Arrangements are in place for the Remuneration Committee to ask for and receive legal advice from the Board's solicitor. The Committee has used external advice to provide comparison pay information and to recommend new structures.

### Background

The remuneration of the Chief Executive and Directors is determined by the Remuneration Committee now consisting of the Chairman and Vice Chairman of the Board and three other Commissioners, under powers delegated by the Board of Commissioners.

Following a review by a firm of external consultants, new pay arrangements were put in place during the year which took effect retrospectively from 1 April 2004. These were agreed by the DfT.

#### Membership of the Remuneration Committee is:

Sheriff Principal Edward F Bowen TD QC  
 Dr Andrew Cubie CBE FRSE  
 Peter Mackay CB c  
 Captain George Sutherland  
 Sheriff Principal Sir Stephen Young

### Pay Approach

The remuneration of executive directors was recalibrated in 2004 in the light of consultant advice against the following criteria:

- Job Weight
- Market pay comparisons
- Performance

All directors have a base pensionable salary which is annually reviewed and in addition can earn a non pensionable and non consolidated performance bonus paid retrospectively in the light of performance in the previous year, as measured against objectives set by the Remuneration Committee.

### Executive Directors Pensions

The executive directors are members of the Northern Lighthouse Board Pension scheme, which is an unfunded defined benefit scheme. Columns 5 and 6 of the below table show the Cash Equivalent Transfer Value (CETV) of the director's pension benefits accrued at the beginning and end of the reporting 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. It 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 pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total pensionable service in the Northern Lighthouse Board pension scheme, not just their current appointment. CETV's are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Column 7 reflects the real increase in the value of the CETV. It takes account of the increase in accrued pension due to inflation and contributions paid by the director and is calculated using common market valuation factors for the start and end of the period.

### Remuneration of Executive Directors

	Salary inc Performance Pay £'000	Benefits £'000
J. Taylor - Chief Executive	85-90	-
G. Platten	70-75	-
D. Gorman	75-80	-
M. Waddell	70-75	-

## Pensions

	Real Increase in pension from 31 March 2005	Real Increase in lump sum from 31 March 2005	Total Accrued Pension at 31 March 2006	Total Accrued Lump Sum at 31 March 2005	Cash Equivalent Transfer Value at 31 March 2005	Cash Equivalent Transfer Value at 31 March 2006	Real increase in Cash Equivalent Transfer Value
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
J. Taylor	0 - 2.5	2.5 - 5.0	10 - 15	40 - 45	227	N/A	N/A
G. Platten	0 - 2.5		15 - 20		155	223	15
D. Gorman	0 - 2.5	2.5 - 5.0	10 - 15	30 - 35	132	189	23
M. Waddell	2.5-5.0	0-2.5	15 - 20	40 - 45	193	261	16

## Service contracts

Each of the Executive Directors has a Service Contract which can be terminated either by reaching the defined retirement age or by either the Board serving twelve months' notice or the Executive Director serving six months' notice.

James Taylor 's (Chief Executive) contract of employment was terminated by mutual agreement on 30th April 2006. Under the terms of this agreement he was paid:

A bonus payment of £3,252, in respect of performance in the year to 31 March 2006.

A payment of £33,423 before tax and NI in respect of pay in lieu of notice for the period 1 May to 28 September 2006

A payment of £20,000, as compensation for loss of office.

These payments were approved by the Treasury.

Roger Lockwood joined the board as Chief Executive on 1st May 2006.

## Remuneration of Commissioners:

### Commissioners:

1. elected by the Board under, and subject to the proviso set forth in, Paragraphs 2 and 3 of schedule 8 to the Merchant Shipping Act 1995 (the "Co-opted Commissioners"); or
2. nominated by the Lieutenant-Governor of the Isle of Man and appointed by the Secretary of State.

were each paid total fees of £9,000 per annum and were eligible for an additional payment of £451 pro rata for each day, exceeding 20 days in the year unless he/she is Chairman when a total fee of £17,208 per annum is payable. The total amount paid in the year, including social security costs, was £66,207 (2004/2005 - £54,472).

Co-opted Commissioners' remuneration is set by Board as whole on the advice of the DfT who approved an increase of 2.5% with effect from 1 April 2005.

Co-opted Commissioners are appointed for three years but may be re-appointed for further terms up to a normal limit of 10 years.

Ex-Officio Commissioners hold office for the duration of their qualifying office.

The Board has determined that co-opted Commissioners will not serve beyond 70 years of age.

The Chairman of the Northern Lighthouse Board in 2005/06 was a co-opted Commissioner and was therefore paid.

Commissioners are not members of the Northern Lighthouse Pension Scheme and are not entitled to receive compensation for loss of office. Commissioners are entitled to reclaim travel and subsistence costs at the same rates and under the same regulations that apply to employees.

The remuneration of the commissioners is as follows:

Name	2005/06 £	2004/05 £
Captain George Sutherland	9,000	8,784
Captain Kenneth Macleod	9,000	8,784
Peter Mackay CB	17,028	8,784
Dr Andrew Cubie	9,000	8,784
Robert Quayle	9,000	7,509
Alistair Whyte	9,000	8,784

## Commissioners of Irish Lights

The Commissioners including the Chairman receive no remuneration.

The remuneration of senior management is based on conditions pertaining in the Republic of Ireland. These can differ from those in the United Kingdom in terms of inflationary trends, income tax and social security rates, National Pay Agreements and general employment market forces.

CIL senior management pay and conditions are based on those in the Irish Civil Service. Pay determination is reserved to the DfT in consultation with the Irish Department of Transport.

The Chief Executive is a member of the Commissioners of Irish Lights Pension Scheme.  
All Heads of Departments are members of the Commissioners of Irish Lights Pension Scheme.

The CIL Pension Scheme is analogous to the Principal Civil Service Pension Scheme (PCSPS).

The Chief Executive and Heads of Departments do not receive performance related payments or benefits.

### Remuneration Committee

The remuneration committee considers remuneration of the Chief Executive and Executive staff above SEO level. The committee makes recommendations to the board for approval.

Membership of the remuneration committee is:

F Boland  
J Kidney FCA  
D Delamer  
S Ruttle  
Another Commissioner

### Service Contracts

Executive Directors are employed under the same terms and conditions as all other CIL staff.

### Remuneration of Executive Directors

Name	Salary inc Performance Pay £'000
S. G. R. Ruttle	115-120
S. Doyle	90-95
J. J. Hickey	85-90
M. A. Dyas	75-80
T. A. Elliott	75-80
J. M. Burke	70-75

Pensions	Real Increase in pension from 31 March 2005 £'000	Real Increase in lump sum from 31 March 2005 £'000	Total Accrued Pension at 31 March 2006 £'000	Total Accrued Lump Sum at 31 March 2005 £'000	Cash Equivalent Transfer Value at 31 March 2005 £'000	Cash Equivalent Transfer Value at 31 March 2006 £'000	Real increase in Cash Equivalent Transfer Value £'000
S. G. R. Ruttle	12.5-15	42.5-45	45-50	130-135	522	1,003	481
S. Doyle	5-7.5	17.5-20	25-30	75-80	338	545	207
J. J. Hickey	2.5-5	7.5-10	30-35	90-95	467	670	203
M. A. Dyas	2.5-5	7.5-10	20-25	60-65	311	465	154
T. A. Elliott	2.5-5	5-7.5	40-45	115-120	671	978	307
J. M. Burke	2.5-5	0	5-10	-	46	89	43

Sir David Rowlands  
Accounting Officer  
22 March 2007



# Statement of the Responsibilities of the General Lighthouse Authorities' Boards, the Secretary of State for Transport and The Accounting Officer

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## General Lighthouse Fund

Under Section 218 of the Merchant Shipping Act 1995 and Section 664 of Merchant Shipping Act 1894 (Republic of Ireland) the General Lighthouse Authorities are each required to prepare a statement of accounts in such form and at such times as instructed by the Secretary of State for Transport. The accounts of the General Lighthouse Fund, which consolidate the Authorities accounts, Investment activity and Light Dues income, are prepared annually on an accrual basis and must give a true and fair view of each Authority's affairs at the year end and of its income, expenditure and cash flows for the financial year. Section 211(5) of the Merchant Shipping Act 1995 requires the Secretary of State for Transport to lay the accounts of the General Lighthouse Fund (GLF) before Parliament. The DfT prepares these accounts.

HM Treasury appointed the Permanent Secretary of the Department for Transport, David Rowlands as Principal Accounting Officer of the Department, with effect from 2 June 2003.

In preparing these accounts the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual in particular to:

- Observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure recommendations, 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, as set out by the Government Financial Reporting Manual and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis.

The GLF has appointed the Accounting Officer for the DfT as the Fund's Accounting Officer. The responsibilities of Accounting Officers, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, and for the keeping proper records and for safeguarding the GLF assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in "Government Accounting".

Sir David Rowlands  
Accounting Officer  
22 March 2007

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## Statement on Internal Control

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### Scope of responsibility

As Accounting Officer, I acknowledge my responsibility for ensuring that a sound system of internal control is maintained in:

- the bodies whose activities are financed by the General Lighthouse Fund (GLF).
- certain functions of the Department for Transport.

The bodies whose activities are financed by the GLF are:

- Trinity House
- Northern Lighthouse Board.
- Commissioners of Irish Lights.

The system of internal control supports the achievement of policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

### The purpose of the system of internal control

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the above objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

I carry out this responsibility in conjunction with the Boards of the individual General Lighthouse Authorities. Each of these Boards has vested their Chief Executive (Executive Chairman in the case of Trinity House) with the responsibility for ensuring that a sound system of internal control is maintained and operated. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the funds policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. The processes detailed in the following paragraphs have been in place throughout the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and I consider that these accord with Treasury guidance.

### Capacity to handle risk and risk control framework

A triennial risk review was undertaken in October 2003 by external risk management consultants on behalf of the three GLA's, which was submitted to the Lighthouse Finance Committee. An immediate review would be commissioned if there were any perceived significant changes in risk.

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- A Financial Memoranda setting out the financial authority delegated by the Department for Transport to the individual GLA's;
- Comprehensive budgeting systems with a Corporate Plan incorporating three years' budgets which are reviewed and endorsed by the Boards and Lights Finance Committee (LFC) for submission to the Secretary of State;
- Budgets delegated to the individual GLA's, which are reviewed by the Boards;
- Setting targets and performance indicators to monitor performance;
- Guidelines on procedures for capital investment and the proper assessment of cost benefit analysis where appropriate;
- A system of formal project management disciplines, which are applied to each major capital project, and
- Internal Audit.

### Review of effectiveness

The GLA's use the independent internal audit services of Audit and Risk Assurance (ARA) of the DfT. This operates to the standards defined in Government Internal Audit Standards. The work of the ARA is informed by an analysis of the risk to which the body is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the bodies' Audit Committees and approved by their Boards. At least annually, the Head of ARA provides me with a report on internal audit activity in the GLA's. The report includes the ARA's independent opinion on the adequacy and effectiveness of the GLA's systems of internal control.

The Secretary of State for Transport is responsible for the administration of the Fund under Section 211 of the Merchant Shipping Act 1995. The Department has established a number of procedures to monitor and forecast the operation of the Investment and Light dues activities of the Fund including:

- Monthly reports from the two investment managers on investment performance;
- Monthly reports from Trinity House on light dues income and trends;
- Monitoring of the GLA's' delegated budgets;
- Ten-year forecasts of income and expenditure revised annually;
- A triennial actuarial valuation of the pension schemes, including a 20-year forecast of trends in expenditure and
- An annual report to Ministers and the Lights Advisory Committee, the Minister's advisers on light dues and aids to navigation, on the Fund operation in support of the required level of light dues.

Key elements of the ongoing review of controls at the GLA's include :

- Regular meetings of strategic committees to decide policy and review progress against plans;
- Audit committees which operate in line with the 'Audit Committee Handbook';
- Regular reports from managers on the steps they are taking to manage risks in their areas of responsibility and
- Annual reviews of key business risks and how they are managed.

As Accounting Officer, I have reviewed the effectiveness of the system of internal control informed by the work of the internal auditors, the Audit Committees which oversee the work of the internal auditors, the executive managers within the bodies who have responsibility for the development and maintenance of the control framework, and comments made by the external auditors in their management letter and other reports.

### **Extra Territorial Waters**

In order to meet their responsibilities with regard to Aids to Navigation and Wreck Marking, the GLA's are required to operate outside of Territorial Waters. I have taken the view that no significant weaknesses in Internal Control were identified. The Government intends to take an early opportunity to clarify the statutory powers of the GLA's through new primary legislation.

Sir David Rowlands  
Accounting Officer  
22 March 2007

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## Certificate of the Comptroller and Auditor General to the Houses of Parliament

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I certify that I have audited the financial statements of The General Lighthouse Fund for the year ended 31 March 2006 under the Merchant Shipping Act 1995. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### **Respective responsibilities of the General Lighthouse Authorities' Boards, the Secretary of State for Transport, Accounting Officer and Auditor.**

The DfT and Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Merchant Shipping Act 1995 and directions made there under and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the General Lighthouse Authorities' Boards, the Secretary of State for Transport and the Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Merchant Shipping Act 1995 and directions made there under. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities, which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if The General Lighthouse Fund has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on page 30 reflects The General Lighthouse Fund's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statement on internal control cover all risks and controls, or form an opinion on the effectiveness of the General Lighthouse Fund's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only, the unaudited part of the Remuneration Report and the Management Commentary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

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

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

### **Opinions**

In my opinion:

The financial statements give a true and fair view, in accordance with the Merchant Shipping Act 1995 and directions made there under, of the state of the General Lighthouse Fund's affairs as at 31 March 2006 and of its deficit for the year then ended;

The financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Merchant Shipping Act 1995 and directions made there under.

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

I have no observations to make on these financial statements.

Sir John Bourn  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria, London, SW1W 9SP  
26 March 2007

## INCOME AND EXPENDITURE ACCOUNT

### For the year ended 31 March 2006

	Notes	2005/2006 £'000	2004/2005 £'000
<b>Income :</b>			
Light Dues	2	74,602	71,123
Other operating income	3	1,704	1,497
Irish Government contribution	4	3,728	3,893
Grant income	1m	28	-
		<u>80,062</u>	<u>76,513</u>
<b>Expenditure :</b>			
Staff costs	5a	26,240	28,478
Pensions	5b	4,240	5,047
Amortisation	11	124	-
Depreciation	12	11,455	9,926
Other operating costs	7b	25,059	23,531
<b>Total Operating costs</b>	7a	<u>67,118</u>	<u>66,982</u>
Operating surplus		12,944	9,531
Exceptional Items - Costs of Restructuring TH	8	-	(7,902)
Surplus on Operating Activities		12,944	1,629
Notional credit on capital	1j	3,994	3,349
Interest on Pension scheme liability	24	(16,490)	(15,666)
Gain on sale of fixed assets	12	207	(215)
Income from listed investments		2,105	1,802
Gain on sale of listed investments		998	(550)
Other interest receivable	9	914	1,124
Interest payable	10	(1,351)	(1,460)
		<u>(9,623)</u>	<u>(11,616)</u>
Net operating surplus/(deficit)		<u>3,321</u>	<u>(9,987)</u>
Reversal of notional credit on capital	1j	(3,994)	(3,349)
Deficit for the financial year		<u>(673)</u>	<u>(13,336)</u>

All results are due to continuing activities

### Statement of total recognised gains and losses

Deficit for financial year		(673)	(13,336)
Unrealised surplus on Investments		11,110	4,470
Unrealised Gain on Revaluation of Surplus Property		1,575	843
Actuarial loss	24	(40,390)	(4,763)
Net pension transfers	24	(278)	58
Total recognised loss for the year before PYA		<u>(28,656)</u>	<u>(12,728)</u>
Prior year adjustment	33	-	(647)
Total recognised loss in the year		<u>(28,656)</u>	<u>(13,375)</u>

## BALANCE SHEET as at 31 March 2006

	Notes	2005/2006 £'000	2004/2005 £'000
<b>Fixed Assets :</b>			
Intangible assets	11	487	-
Tangible assets	12	103,675	99,694
Investments assets	13	1,095	746
Long term debtors	28	320	450
<b>Current Assets :</b>			
Stocks	14	2,049	2,140
Debtors	15	7,517	6,825
Investments	16	74,047	61,868
Cash at bank and in hand	17	<u>27,565</u>	<u>24,895</u>
		111,178	95,728
Creditors : amounts falling due within one year	18	(16,661)	(9,978)
<b>Net current assets</b>		<b>94,517</b>	<b>85,750</b>
<b>Total assets less current liabilities</b>		<b>200,094</b>	<b>186,640</b>
Creditors: amounts falling due after more than one year	19	(16,477)	(25,122)
Provisions for liabilities and charges	23	(4,818)	(6,963)
<b>Net assets excluding pension liabilities</b>		<b>178,799</b>	<b>154,555</b>
Pension liabilities	24	(305,430)	(256,130)
<b>Net liabilities</b>		<b>(126,631)</b>	<b>(101,575)</b>
Financed by			
<b>Reserves</b>			
Accumulated Reserve	25	(145,699)	(106,316)
Revaluation Reserve	25	15,126	2,441
Capital Grant Reserve	25	207	221
Deferred Government Grant Reserve	25	3,735	2,079
<b>Total</b>		<b>(126,631)</b>	<b>(101,575)</b>

Sir David Rowlands  
Accounting Officer  
22 March 2007

## CASH FLOW STATEMENT For the Year Ended 31 March 2006

	Notes	2005/2006 £'000	2004/2005 £'000		
Net cash inflow from operating activities	1	13,852	9,505		
Return on investments and servicing of finance	2	1,619	1,426		
Capital Expenditure	3	(13,620)	(11,811)		
Management of liquid resources	4	(70)	(2,477)		
Financing	5	(882)	(1,133)		
New Finance Lease		759	-		
Exchange Difference		1,012	-		
<b>Increase/ (Decrease) in cash</b>		<b>2,670</b>	<b>(4,490)</b>		
<b>Reconciliation of net cash in /(out) flow to movement in net funds / (debt)</b>					
Increase/ (Decrease) in cash		2,670	(4,490)		
Cash outflow from lease financing		2,524	2,128		
		<b>5,194</b>	<b>(2,362)</b>		
New Finance Lease		(759)	-		
Net debt at 1 April 2005		(2,395)	(33)		
<b>Net debt at 31 March 2006</b>		<b>2,040</b>	<b>(2,395)</b>		
<b>Notes to the cash flow statement</b>					
<b>Note 1</b>					
<b>Reconciliation of operating surplus to net cash flow in from operating activities</b>					
Operating Surplus		12,944	1,629		
Net pension expenditure		(11,844)	(11,998)		
Current service cost		4,264	5,274		
Amortisation		124	-		
Depreciation		11,455	9,926		
Decrease in stocks		91	(301)		
Increase in debtors		(692)	(169)		
Decrease in creditors		(344)	(32)		
Decrease in Provisions		(2,146)	5,176		
Net cash in flow from operating activities		<b>13,852</b>	<b>9,505</b>		
<b>Note 2</b>					
<b>Return on investments and servicing of finance</b>					
Interest received		3,006	2,915		
Interest paid		(1,387)	(1,489)		
		<b>1,619</b>	<b>1,426</b>		
<b>Note 3</b>					
<b>Capital Expenditure</b>					
Payments to acquire intangible fixed assets		(131)	-		
Payments to acquire tangible fixed assets		(15,164)	(12,127)		
Receipts from sale of tangible fixed assets		1,545	166		
Movements in Trinitas investments		130	150		
		<b>(13,620)</b>	<b>(11,811)</b>		
<b>Note 4</b>					
<b>Management of liquid resources</b>					
Purchase of investments		(9,759)	(12,090)		
Sale proceeds from investments		9,689	9,613		
		<b>(70)</b>	<b>(2,477)</b>		
<b>Note 5</b>					
<b>Financing</b>					
Capital element of finance lease rentals		(2,524)	(2,128)		
Movement in deferred Government Grant		1,656	999		
Movement in Capital Grant Reserves		(14)	(4)		
		<b>(882)</b>	<b>(1,133)</b>		
<b>Note 6</b>					
<b>Analysis of the changes in net debt</b>					
		2004/2005 £000	Other £000	Cash Flow £000	2005/2006 £'000
Cash at bank		24,895	-	2,670	27,565
Finance leases		(27,290)	(759)	2,524	(25,525)
<b>Net debt at 31 March 2006</b>		<b>(2,395)</b>	<b>(759)</b>	<b>5,194</b>	<b>2,040</b>
<b>Note 7</b>					
<b>Cash Flows Relating to Exceptional Items</b>					
Payments made as a result of restructuring			(2,937)		(4,022)

## Notes to the accounts for the year ended 31 March 2006

### 1. Accounting policies

#### a) Accounting Convention

These accounts have been prepared in accordance with the 2005/2006 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practise for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

Where the FReM permits a choice of accounting policy, the accounting policy, which has been judged to be the most appropriate to the particular circumstances of the GLF for the purpose of giving a true and fair view has been selected. The GLF's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

In addition, these accounts have been prepared in accordance with the accounts direction issued by the Secretary of State for Transport in March 2003.

#### b) Going Concern

The balance sheet at 31 March 2006 shows net liabilities of £126.6m. This reflects the inclusion of pension liabilities falling due in future years. The Secretary of State for Transport, with the agreement of the Treasury, issued a letter of comfort in December 2001 (see appendix 1). The letter states that in the unlikely event of insufficient money being available from the General Lighthouse Fund to pay pension liabilities, the Department will request funds from Parliament to make the necessary payments.

It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

#### c) Intangible Assets

Computer Software has been capitalised and is amortised on a straight-line basis over the estimated useful economic life of between 3 to 5 years dependent on the expected operating life of the asset. Intangible Assets are shown at cost less amortisation. Amortisation is calculated on a monthly basis and is commenced in the month after original purchase or when the asset is brought into use and is continued up to the end of the month prior to disposal.

#### d) Pension Benefits

Pension benefits are accounted for in line with the requirements of FRS 17 : Retirement benefits.

#### e) Tangible Fixed Assets and Depreciation

Fixed assets are shown at depreciated historic cost in line with the Accounts Direction. This does not comply with the disclosure requirements of the Financial Reporting Manual, which requires the inclusion of fixed assets at their value to the business with reference to current costs, as it has been agreed that it is impractical to revalue such assets.

Book values have been retained and revaluations have only been undertaken on assets that are surplus to requirements, restating them to open market value.

Depreciation is calculated on a monthly basis and is commenced in the month after original purchase or when the asset is brought into use and is continued up to the end of the month prior to sale. Assets in the course of construction are not depreciated.

Depreciation is charged on a straight line basis having regard to the estimated operating lives as follows:

Categories	Depreciation Lives	Categories	Depreciation Lives
<b>Land &amp; Buildings</b>		<b>Plant and Machinery</b>	
Land	Not Depreciated	Lighthouses and Lightvessels	15 years
Lighthouses (Building structure)	50 years	Automation equipment	15 years
Lighthouse improvements	25 years	Racons & Radio beacons	15 years
Other buildings	50 years	Depots & Workshops	10 years
<b>Tenders and Ancillary Craft</b>		Office Equipment	10 years
Tenders	25 years	Vehicles	5 years
Tenders (Dry Dock and Repair)	From 24 months until next dry docking	Computers - Major systems	5 years
Launches	15 years	Computers - Other	3 years
Workboats	10 years	Assets held under a Finance lease	25 years being the expected useful life. (The primary lease period is less than this but a secondary period sufficient to cover the balance is available.)
<b>Lightvessels</b>			
Lightvessel (hulls)	50 years		
Lightvessel (hull conversions)	15 years		
Lightvessel (Dry dock and repair)	5 years		
Lanbys	25 years		
<b>Buoys and Beacons</b>			
Solarisation costs	25 years		
	10 years		



## **f) Stocks**

Stocks of consumable stores at depots and fuel stocks in tenders are valued at weighted average cost in line with accounts direction.

## **g) Research and Development**

Research and Development work is co-ordinated by the Radio Navigation Committee for Major Research and Development for major research and development. Direct expenditure incurred via this channel or any other research and development activity is charged to the Income and Expenditure Account as incurred.

## **g) Leasing Commitments**

Assets obtained under finance leases are capitalised in the Balance Sheet and depreciated as if owned. The interest element of the rental obligation is charged to the Income and Expenditure Account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding at the beginning of the year. The capital element of the future lease payments is stated separately under Creditors, both within one year and over one year.

Expenditure incurred in respect of operating leases is charged to the Income and Expenditure Account as incurred.

Rentals received under operating leases are credited to income.

## **h) Foreign currency transactions**

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at an average rate ruling during the period in which the transaction occurred. All differences are taken to the income and expenditure account.

## **i) Taxation**

The fund is exempt from Corporation Tax under provisions of Section 221 of the Merchant Shipping Act 1995. The Authority is liable to account for VAT on charges rendered for its services and is able to reclaim VAT on all costs under the provisions of the Value Added Tax Act 1983.

## **j) Notional Cost of Capital**

The Income and Expenditure Account includes a notional cost of capital at 3.5% of the average net liabilities during the year. This amount is reversed after the line showing surplus or deficit for the year.

## **k) Irish Government Grant - Loran C**

During the year 2005-06 a grant of €1,612 (£1,125) was received from the Department of Communications Marine and Natural Resources in respect of the Loran-C Capital Project. The total advances were €1,235,834 (£862,290) at 31 March 2006.

## **l) Provisions**

Provisions are made for liabilities and charges in accordance with FRS12 Provisions, Contingent Liabilities and Contingent Assets where, at the balance sheet date, a legal constructive liability (i.e. a present obligation from a past event) exists, the transfer of economic benefits is probable and a reasonable estimate can be made.

## **m) Capital Grants**

Grants received in respect of eligible expenditure charged to the Income & Expenditure Account during the year have been included in Grant Income.

Grants received in respect of capital expenditure on assets that are depreciated are credited to either the deferred Government Grant Reserve or the Capital Grant Reserve as appropriate and released to the Income and Expenditure Account by instalments over the useful economic life of the relevant assets.

## **n) Investment Properties**

The Northern Lighthouse Board has nine former lightkeepers' cottages that are considered surplus to requirements and are currently operated as holiday cottages. It has been agreed that this alternative use is in the best interests of the Northern Lighthouse Board and the General Lighthouse Fund through the generation of rental income. These properties are treated in accordance with SSAP19 : Accounting for Investment Properties and are accordingly revalued to OMV each year.

Open market valuations have been completed in March 2006 at each of these properties by Smith Gore, Chartered Surveyors. These properties are included in Balance Sheet at the open market valuation.

## **o) Investments**

Investments are stated at market value at the balance sheet date.

## 2. Income from Light Dues

This includes £3.2m (2004/2005 £3.1m) light dues collected in the Republic of Ireland.

## 3. Other Operating Income

	<i>DFT</i> £'000	<i>TH</i> £'000	<i>NLB</i> £'000	<i>CIL</i> £'000	<i>Total</i> 2005/2006	<i>Total</i> 2004/2005
<b>Rentals</b>						
Property	-	55	27	158	240	208
Buoys	-	98	116	93	307	250
Research & Development Income	-	133	-	-	133	114
Tenders	-	41	-	425	466	329
<b>Sundry receipts</b>	80	281	114	83	558	596
	<b>80</b>	<b>608</b>	<b>257</b>	<b>759</b>	<b>1,704</b>	<b>1,497</b>

## 4. Irish Government Contribution

The GLF income is supplemented by an annual contribution from the Irish Government under the terms of an agreement reached in 1985 for the sharing of certain costs incurred by CIL in the Republic of Ireland. The payment in respect of costs incurred in 2005/2006 falls due in January 2007. This sum represents, after taking account of light dues the amount needed to meet 50% of the relevant expenditure in that year.

## 5. Costs

### a) Staff Costs

	<i>2005/2006</i> £'000	<i>2004/2005</i> £'000
Wages & Salaries	24,599	25,590
Social Security costs	1,928	1,982
Redundancy	363	721
Annual Compensation Payments	(236)	577
<b>Total staff costs</b>	<b>26,654</b>	<b>28,870</b>
Costs capitalised in fixed assets	(414)	(392)
<b>Charged to Income and Expenditure account</b>	<b>26,240</b>	<b>28,478</b>

### b) Pension Costs

	<i>TH</i> £'000	<i>NLB</i> £'000	<i>CIL</i> £'000	<i>Total</i> 2005/2006	<i>Total</i> 2004/2005
Operating costs	1,536	1,154	1,526	4,216	4,867
Employers contribution to other pension schemes	-	24	-	24	180
<b>Total</b>	<b>1,536</b>	<b>1,178</b>	<b>1,526</b>	<b>4,240</b>	<b>5,047</b>

### c) The average monthly number of employees during the year

	<i>TH</i>	<i>NLB</i>	<i>CIL</i>	<i>Total</i> 2005/2006	<i>Total</i> 2004/2005
Lighthouse attendants*	-	70	76	146	159
Light Floats	-	-	4	4	4
Tenders	115	75	31	221	220
Depots & Workshops	203	41	79	323	363
Head Office	25	99	68	192	186
Coast Tradesmen	-	-	23	23	24
<b>Total</b>	<b>343</b>	<b>285</b>	<b>281</b>	<b>909</b>	<b>956</b>
Part time staff included in above*	10	79	80	169	

\* Lighthouse Attendants are part-time staff. They carry out basic maintenance, repairs and cleaning at automatic lighthouses, usually on one day per week or month depending on the type of installation. In some cases they also act as boatmen to provide access to the lighthouse. They may also be required to observe its performance and report any failures.

The average monthly number of employees stated above do not include temporary staff. The number of temporary staff employed, expressed as Full-Time Equivalents were as follows:

	TH	NLB	CIL	Total 2005/2006	Total 2004/2005
Temporary Staff	15.6	4.7	9.5	29.8	25.8

## 6. Operating Surplus

The operating surplus is stated after charging amounts under operating leases, which are:

	2005/2006 £'000	2004/2005 £'000
Plant	274	14
Other	1,190	1,484
	<b>1,464</b>	<b>1,498</b>

## 7a). Total Operating Costs

	TH £'000	NLB £'000	CIL £'000	Total 2005/2006 £'000	Total 2004/2005 £'000
Lighthouses	2,186	2,065	3,715	7,966	8,537
Lightvessels	276	-	115	391	436
Buoys and Beacons	1,181	196	368	1,745	1,730
Heliports	17	-	-	17	34
Lanbys	-	-	185	185	149
Tenders	6,048	4,442	1,795	12,285	11,276
Depots	8,691	496	2,572	11,759	13,278
Workshop	-	1,341	-	1,341	1,412
Head Office	2,122	4,810	3,923	10,855	10,539
Stores write off	52	-	-	52	11
Salary Costs capitalised (CIL)	-	-	348	348	319
Redundancy	529	3	40	572	159
<b>Running Costs</b>	<b>21,102</b>	<b>13,353</b>	<b>13,061</b>	<b>47,516</b>	<b>47,880</b>
Depreciation	4,003	5,595	1,857	11,455	9,926
Amortisation	-	103	21	124	-
Pension costs	1,436	1,355	1,526	4,317	5,624
NLB - Penalty for Early Termination NLV Pharos Lease	-	38	-	38	394
NLB - Provision for liab. and charges	-	(502)	-	(502)	562
Capital pay exc. from op costs	-	-	(348)	(348)	(319)
NLB - Other	-	7	-	7	24
Refinancing Costs	-	10	-	10	-
<b>Total</b>	<b>26,541</b>	<b>19,959</b>	<b>16,117</b>	<b>62,617</b>	<b>64,091</b>
GLF Costs					
Fund management				162	133
Light dues collection costs				631	918
Lighthouses abroad (Pension costs)				15	15
Research & development				448	563
AIS Study				195	89
Galileo project				827	725
Sombrero				3	6
Administration expenses of the Secretary of State				169	125
Actuarial valuation				55	34
Provision for bad debts				(3)	10
Audit fee				201	144
Loss on foreign exchange				1,798	129
<b>Total</b>				<b>67,118</b>	<b>66,982</b>

**7b). Other Operating Costs**

	<i>TH</i> £'000	<i>NLB</i> £'000	<i>CIL</i> £'000	<i>GLF Costs</i> £'000	<i>Total</i> 2005/2006 £'000	<i>Total</i> 2004/2005 £'000
Communications	531	355	248	-	1,134	1,045
Services & Energy	2,162	1,826	1,872	-	5,860	5,842
Travel & Subsistence	918	1,254	962	-	3,134	2,805
Others	6,337	2,847	3,526	2,221	14,931	13,839
<b>Total</b>	<b>9,948</b>	<b>6,282</b>	<b>6,608</b>	<b>2,221</b>	<b>25,059</b>	<b>23,531</b>

**8). Exceptional Items**

	2005/2006 £'000		2004/2005 £'000	
	Continuing	Discontinuing	Continuing	Discontinuing
Redundancy Costs	-	-	7,902	-

The above figure represents the cost of redundancies identified as part of the restructuring within Trinity House, which have been incurred in the financial year 2004/2005, together with a provision (Note 23) for future costs expected to be incurred for those outstanding. Relocation costs are included within Other Operating Costs, and do not form part of these restructuring costs.

**9). Interest Receivable**

	<i>TH</i> £'000	<i>NLB</i> £'000	<i>CIL</i> £'000	<i>GLF</i> £'000	2005/2006 £'000	2004/2005 £'000
	77	18	0	819	914	1,124

**10). Interest payable on Finance Leases for:**

<i>THV Mermaid</i> £'000	<i>NLV Pharos</i> £'000	<i>NLV Pole Star</i> £'000	<i>ILV Granuaile</i> £'000	2005/2006 £'000	2004/2005 £'000
64	455	390	442	1,351	1,460

**11). Intangible Fixed Assets**

	<i>Intangible</i> <i>Software</i> £'000	<i>Total</i> £'000
<b>Costs</b>		
Balance at 01/04/05	-	-
Additions	131	131
Transfers	984	984
<b>Balance at 31/03/06</b>	<b>1,115</b>	<b>1,115</b>
<b>Amortisation</b>		
Balance at 01/04/05	-	-
Provided during the year	124	124
Transfers	504	504
<b>Balance at 31/03/06</b>	<b>628</b>	<b>628</b>
<b>Net book value</b> <b>at 01/04/05</b>	-	-
<b>Net book value</b> <b>at 31/03/06</b>	<b>487</b>	<b>487</b>

## 12). Tangible Fixed Assets

	Land & Buildings Ongoing	Land & Buildings Surplus	Light Vessels / Lanbys	Tenders Ancillary & Craft	Buoys & Beacons	Plant & Equipment	Computer Equipment	Assets in the Course of construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Costs</b>									
Balance at 01/04/05	35,996	883	9,725	64,238	8,054	61,634	3,679	14,187	198,396
Additions	1,036	-	-	1,115	1,129	1,990	129	10,629	16,028
Revaluation	-	1,136	-	-	-	-	-	-	1,136
Disposals	(1,564)	-	(630)	(843)	(66)	(1,970)	(597)	-	(5,670)
Transfers	11,290	638	90	4	357	3,450	(257)	(16,556)	(984)
<b>Balance at 31/03/06</b>	<b>46,758</b>	<b>2,657</b>	<b>9,185</b>	<b>64,514</b>	<b>9,474</b>	<b>65,104</b>	<b>2,954</b>	<b>8,260</b>	<b>208,906</b>
<b>Depreciation</b>									
Balance at 01/04/05	13,971	125	7,399	33,311	4,181	37,107	2,608	-	98,702
Provided during the year	1,428	2	645	5,351	411	3,240	378	-	11,455
Revaluation	-	(89)	-	-	-	-	-	-	(89)
Disposals	(706)	-	(517)	(808)	(44)	(1,666)	(592)	-	(4,333)
Transfers	(313)	313	-	-	-	-	(504)	-	(504)
<b>Balance at 31/03/06</b>	<b>14,380</b>	<b>351</b>	<b>7,527</b>	<b>37,854</b>	<b>4,548</b>	<b>38,681</b>	<b>1,890</b>	<b>-</b>	<b>105,231</b>
<b>Net book value at 01/04/05</b>	<b>22,025</b>	<b>758</b>	<b>2,326</b>	<b>30,927</b>	<b>3,873</b>	<b>24,527</b>	<b>1,071</b>	<b>14,187</b>	<b>99,694</b>
<b>Net book value at 31/03/06</b>	<b>32,378</b>	<b>2,306</b>	<b>1,658</b>	<b>26,660</b>	<b>4,926</b>	<b>26,423</b>	<b>1,064</b>	<b>8,260</b>	<b>103,675</b>

The Net Book value of land and buildings is entirely in respect of freehold assets.

### Tenders & Craft

Leased Assets included in above	TH £'000	NLB £'000	CIL £'000	Total £'000
Net book value at 1st April 2005	4,255	14,938	11,518	30,711
Depreciation for the year	(1,099)	(3,125)	(581)	(4,805)
Net book value at 31st March 2006	<b>3,156</b>	<b>11,813</b>	<b>10,937</b>	<b>25,906</b>

Leased assets shown under Tenders and Craft represent THV Patricia, THV Mermaid and NLV Pharos NLV Pole Star and ILV Granuaile which are subject to finance leases. Following the decision to replace NLV Pharos with a new Multi-function tender the useful economic life and residual value of NLV Pharos have been updated to reflect the decision. Had this adjustment not been made the Net Book of Values at 31 March 2006 would be £672,000 greater than stated.

Northern Lighthouse Board Commissioners also own antiques that have been revalued at £603,000 at 14th December 2003. Further information is given in Note 31 - Third Party Assets.

### Revalued Assets

The Miranda Building, 35/36 West Street and 7 Church Street, which all formed part of the old Harwich offices became surplus during the year and have been revalued at Open Market Value of £700,000, £250,000 and £300,000 respectively. The valuation was carried out as at 31st March 2006 internally, by Mr M.Hill MRICS, in accordance with the Practice Statements and Guidance Notes set out in the RICS Appraisal Valuation Standards published by the Royal Institution of Chartered Surveyors. The valuations were based on an external valuation as at 1st February 2006 for the Miranda Building, by Dunlop Haywards Limited, consultant surveyors, and for 35/36 West Street and 7 Church Street an external valuation as at 12th July 2005 by Whybrow Chartered Surveyors. The valuations assume vacant possession and do not take account of any selling costs.

The Penzance Depot became surplus in 2004/05 and was revalued in 2004/05 at an Open Market Value of £750,000. The valuation was carried out by external consultants Dunlop Haywards Limited, consultant surveyors as at 1st April 2005, in accordance with the Practice Statements and Guidance Notes set out in the RICS Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors. The valuation has been reviewed as at 31st March 2006, internally by Mr M.Hill MRICS, resulting in no material change to the original valuation. The valuation assumes vacant possession and does not take account of any selling costs.

The Properties included at a valuation would have been included on a historical cost basis at:

	2005/2006 Penzance £'000	2005/2006 Miranda £'000	2005/2006 West Street £'000	2005/2006 Church Street £'000	2004/2005 Penzance £'000	2004/2005 Miranda £'000	2004/2005 West Street £'000	2004/2005 Church Street £'000
Cost	5	75	37	1	5	75	37	1
Depreciation	(4)	(53)	(36)	-	(4)	(51)	(36)	-
<b>Net book value</b>	<b>1</b>	<b>22</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>24</b>	<b>1</b>	<b>1</b>

The Great Yarmouth Depot became surplus in 2004/05. Maintenance work is required to the seawall which will cost in the region of £545k. This amount has been fully provided for in the accounts (note 23), and the work is expected to be completed during 2006/07. An external valuation was carried out in 2004/05 by Dunlop Haywards Limited, consultant surveyors as at 1st April 2005, this has been reviewed internally by Mr M. Hill MRICS, in accordance with the Practice Statements and Guidance Notes set out in the RICS Appraisal Valuation Standards published by the Royal Institution of Chartered Surveyors resulting in no material change to the original valuation of a negative £50k. The property will however have a positive value once the repairs are completed and as these costs have been fully provided for it is considered inappropriate to revalue the Great Yarmouth Depot to a negative value. A further valuation will be undertaken once the repairs are completed, at which point the property will be revalued at Open Market Value. The property is therefore valued at Historic Cost in the 2005/06 accounts as follows:

	2005/2006 Gt Yarmouth £'000	2004/2005 Gt Yarmouth £'000
Cost	132	132
Depreciation	(127)	(125)
<b>Net book value</b>	<b>5</b>	<b>7</b>

### Lighthouse Cottages

Trinity House Lighthouse Service (TH) owns 32 cottages of which 30 are currently leased to Trinitas Services Ltd. With the automation of the lighthouses, TH disposed of all stand alone cottages, but retained cottages which were attached to or formed part of a lighthouse complex. It is considered that these cottages which have been retained are 'day markers' or are necessary to retain for future operational requirements of the site ie to guarantee future access, and as such are considered to continue to be an operational requirement of the service and have therefore been valued at historic cost less depreciation in line with all other assets and included within Land and Buildings.

The Northern Lighthouse Board own 9 cottages which are not required to fulfill a 'day marker' role and are retained solely for holiday rentals. These holiday cottages have therefore been treated in accordance with SSAP 19: Accounting for Investment properties and are accordingly revalued to open market value.

### Gain on Sale of Fixed Assets

A gain on sale of fixed assets of £207,000 was made during the year. This relates mainly to the disposal of East Cowes Depot, Inner Farne Lighthouse and THL Vectis and reduced by the loss of Bulia Skerry Lighthouse.

### Assets under construction included in Government Grant Reserve

	31/03/2006 £'000	31/03/2005 £'000
CIL Loran C	972	969
CIL DGPS	8	9
EU Interreg Grant - AIS equipment	573	39
TH EEDA	2,182	1,062
	<b>3,735</b>	<b>2,079</b>

### 13). Investment Assets

	Holiday Cottages £'000
As at 1 April 2005	746
Additions	-
Revaluations	349
Write Downs	-
<b>Total as at 31 March 2006</b>	<b>1095</b>

### 14). Stocks

	TH £'000	NLB £'000	CIL £'000	2005/2006 £'000	2004/2005 £'000
	1,149	455	445	2,049	2,140

**15). Debtors**

	31/03/2006 £'000	31/03/2005 £'000
Trade Debtors	5,062	5,230
Other Debtors	720	462
Prepayments and Accrued Income	1,197	476
VAT Recoverable	538	657
	<b>7,517</b>	<b>6,825</b>
Amounts that fall within the Whole of Government Accounts Boundary are :		
	31/03/2006 £'000	31/03/2005 £'000
Central Government	176	226
Local Authorities	2	16
Public Corporations	9	2
<b>Total</b>	<b>187</b>	<b>244</b>

**16). Investments**

	MSQ £'000	HSBCAM £'000	Total £'000
Cost			
01/04/2005	25,695	35,221	60,916
Additions	1,725	8,034	9,759
Disposals	(1,035)	(7,656)	(8,691)
<b>31/03/2006</b>	<b>26,385</b>	<b>35,599</b>	<b>61,984</b>

All Investments are listed and managed by Morgan Stanley Quilter (MSQ) or HSBC Asset Management Limited (HSBCAM).

In addition cash is held by Morgan Stanley Quilter of £0.5m Capital Account, £19.5m cash reserve, £0.7m, Euro reserve and HSBCAM of £2.3m totalling £22.9m (31/03/04 £19.3m). The capital accounts are included as cash in the balance sheet and are used as capital reserves for investments. Investment assets are valued at open market value, as follows:

	MSQ £'000	HSBCAM £'000	31/03/2006 £'000	31/03/2005 £'000
Government securities	5,895	-	5,895	5,795
Equities	26,751	41,401	68,152	56,073
	<b>32,646</b>	<b>41,401</b>	<b>74,047</b>	<b>61,868</b>

The movement in revaluation reserve is reflected in note 25.

**17). Cash at Bank and in Hand**

	31/03/2006 £'000	31/03/2005 £'000
Balance at 1 April 2005	24,895	29,385
Net Changes in Cash Balances	2,670	(4,490)
Balance at 31 March 2006	<b>27,565</b>	<b>24,895</b>
Represented by cash held by the following:		
Commissioners for Irish Lights	354	364
Department for Transport	23,118	19,529
Northern Lighthouse Board	321	576
Trinity House	1,060	2,467
Trinity House Light Dues	2,712	1,959
Balance at 31 March 2006	<b>27,565</b>	<b>24,895</b>

**18). Creditors: Amounts falling due within one year**

	31/03/2006 £'000	31/03/2005 £'000
Trade creditors	3,344	2,779
Other creditors	199	122
Taxes and social security costs	780	742
Accruals	2,823	3,725
Termination payment on NLV Pharos	7,244	-
Obligations under finance leases	2,271	2,610
	<b>16,661</b>	<b>9,978</b>

Amounts that fall within the Whole of Government Accounts Boundary are :

	31/03/2006 £'000	31/03/2005 £'000
Central Government	576	537
Local Authorities	-	10
Public Corporations	72	-
<b>Total</b>	<b>648</b>	<b>547</b>

## 19. Creditors: Amounts falling due after more than one year

	31/03/2006 £'000	31/03/2005 £'000
Obligations under finance leases (note 20)	16,441	17,829
Other creditors	36	49
Termination payment on lease of NLV Pharos	-	7,244
	<b>16,477</b>	<b>25,122</b>

## 20). Obligations under Finance Leases

	31/03/2006 £'000	31/03/2005 £'000
Amounts payable:		
Within one year	2,271	2,610
In one to two years	1,663	2,158
In two to five years	3,831	4,087
Over five years	10,947	11,584
	<b>18,712</b>	<b>20,439</b>

### The Trinity House vessels:

THV Mermaid - The interest is charged on a variable rate based upon the London Interbank Offer Rate (LIBOR).  
 THV Patricia - Primary lease period in respect of THV Patricia expired in June 1997. A fifteen year secondary period was entered into at that time giving secondary period rentals of £24,846.30 per annum for the first five years and £9,938.52 per annum thereafter.

### The Northern Lighthouse Board vessels:

NLV Pharos - interest rate was fixed at time of entering the agreement build date.  
 NLV Pole Star - interest rate was fixed at the time of entering the agreement.

### The Commissioners of Irish Lights vessel:

ILV Granuaile - interest rate was fixed at the time of entering the agreement.

The average rates of interest charged are as follows:

	2005/2006	2004/2005
Trinity House Vessel Mermaid	4.81%	4.73%
Commissioners of Irish Light Vessel Granuaile	4.59%	4.59%
Northern Lighthouse Board Vessel Pharos	6.21%	6.21%
Northern Lighthouse Board Vessel Pole Star	5.14%	5.31%

The amounts due under finance leases are secured on the individual vessels.

The decision has been made to replace NLV PHAROS with a new Multi Function Tender that is currently under construction. The NLV Pharos has been decommissioned, the lease terminated and the vessel sold on 8 September 2006.

## 21). Obligations under Operating Leases

Annual commitments under non-cancellable operating leases are as follows:

	2005/2006 £'000	2004/2005 £'000
Leases expiring		
<i>Within one year</i>		
Land & Buildings	9	7
Other	90	1,149
	<b>99</b>	<b>1,156</b>



	2005/2006 £'000	2004/2005 £'000
<i>Within two to five years</i>		
Land & Buildings	389	10
Other	483	14
	<b>872</b>	<b>24</b>
<i>After five years</i>		
Land & Buildings	2,658	2,655
Other	924	-
	<b>3,582</b>	<b>2,655</b>

## 22). Capital Commitments

	31/03/2006 £'000	31/03/2005 £'000
Amounts contracted for but not provided in the accounts	13,588	7,827

## 23). Movement in provisions for Liabilities and Charges

	Provision for Yarmouth depot repairs £'000 (i)	ACP £'000 (ii)	Restructuring Provision £'000 (iii)	MNOFF £'000 (iv)	Republic of Ireland Contribution £'000 (v)	Total £'000
Opening Balance as at 1 April 2005	545	2,574	3,686	158	-	6,963
Charged in income and expenditure	-	(10)	20	11	941	962
Provisions Utilised during the year	(4)	(90)	(2,023)	(124)	-	(2,241)
Transfer	-	(441)	441	-	-	-
Provisions not utilised and written back	-	(657)	(209)	-	-	(866)
<b>Provision at 31 March 2006</b>	<b>541</b>	<b>1,376</b>	<b>1,915</b>	<b>45</b>	<b>941</b>	<b>4,818</b>

The General Lighthouse Fund has provided for

- i) Yarmouth Depot - Repairs required to the sea wall of the Yarmouth Depot site.
- ii) Annual Compensation payments - the actuarially calculated estimate for the future liabilities for ACP's that are compensation payments until Age 60 and receipt of normal pension benefits.
- iii) Restructuring costs - the estimated redundancy costs as a result of restructuring the organisation. It is expected that 44% of these costs will be incurred during 2006/2007 with the remaining 21% incurred in 2007/2008 and the balance spread evenly over the next 14 years.
- iv) Additional Contributions to the Merchant Navy Officer's Pension Fund - provision for actuarially calculated estimate of additional contributions due to help meet the deficit in the fund.
- v) Provision to repay the Republic of Ireland Government contribution to the Dun Laoghaire redevelopment.

## 24). Pension Commitments

These are internally financed defined benefit schemes operated by each of the Authorities. The pension benefits are determined by the Secretary of State under section 214 of the Merchant Shipping Act 1995. The Secretary of State has determined that the rules of the Principal Civil Service Pension Scheme shall apply.

The schemes fall within the definitions of a "Public Service Pension Scheme" in section 66 of the Social Security Act 1975 and are not required to be separately funded. The schemes are operated, for employees who joined the scheme before 1 October 2002, on a non-contributory basis. There is a facility for employees to make additional contributions in respect of benefits for widows and children and added years; these are also defined benefits and unfunded. Employees who joined the scheme after 1 October 2002 contribute 3.5% of pensionable elements of pay and may also make voluntary contributions for the purchase of added years service.

Employees joining after 1 October 2002 could opt instead to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £6,468 were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay.

The pension liabilities of the three General Lighthouse Authorities are charged to the General Lighthouse Fund as they fall due on the following basis:

- i) Payments to pensioners / spouses / children for the financial year under review.
- ii) Lump sums paid to new pensioners and preserved lump sums coming into effect during the year;
- iii) Annual compensation payments (ACP) paid to those members who are made redundant in advance of normal retirement age (60); and
- iv) Accrued benefits due to employees who leave and who opt to have such benefits transferred to another scheme;
- v) Injury benefits
- vi) Refunds of spouses' pension contributions at leaving and/or age 60/65.

Reduced by:

- a) Contributions made by employees during the year in respect of spouses and dependant relatives and added years;
- b) Accrued benefits transferred from other pension schemes in respect of new employees.

No specific provision for early retirement has been made but the GLA's have been made provision for these costs in their overall bid to DfT.

The GLA's obtain professional actuarial valuations at 3 yearly intervals which are updated each year for FRS 17 purposes. The last valuation was completed in August 2005, valued as at 31 March 2005.

The only differences between the full valuation and the FRS 17 valuations are:

- 1) The FRS 17 valuation excludes the liabilities for Annual Compensation payments (ACPs)
- 2) The FRS 17 valuation prescribes the discount rate as the yield on the "AA" rated long term corporate bonds. For the best-estimate funding basis, the discount rate represents the actuary's expectation of the future investment returns from the assets nationally held by the scheme. As the Fund does not operate a funded arrangement there are no assets on which to base an estimate of future returns. Therefore for the purpose of deriving a suitable discount rate, the actuary has assumed a notional portfolio that would reflect a common composition of assets in a defined benefit pension scheme.

The accumulated liability for the General Lighthouse Fund in respect of all current employees was in the order of £77.9m. The estimated liability for pensions in payment and deferred pensions of former employees of the General Lighthouse Fund was £211.6m. The actuary used Projected Unit Credit Method and a best estimate approach of future experience ie one that includes no margin for caution. The valuation assumed the following return / investment rates.

	NLB	TH	CIL
Price Inflation	3.30%	3.30%	3.30%
Salary Growth	5.05%	5.05%	5.05%
Pre-retirement Investment return	6.10%	6.10%	6.10%
Rate of Increase to pensions in payment	3.30%	3.30%	4.55%
Rate of Increase to pensions in deferment	3.30%	3.30%	4.55%

The actuary's updated estimate of the liability of ACPs at 31 March 2006 is £1.43m.

The following has been provided in accordance with the Financial Reporting Standard 17 - Retirement Benefits (FRS17):

	31/03/2006 £'000	31/03/2005 £'000
Active members	90,402	72,125
Deferred pensioners	43,042	30,391
Pensioners	171,986	153,614
<b>Total liability at projected unit method</b>	<b>305,430</b>	<b>256,130</b>
Inflation rate	3.30%	3.00%
Discount rate	6.10%	6.50%
Salary increase assumption	5.05%	4.75%
Rate of increase for pensions in payment	3.30%	3.00%
Rate of increase for pensions in deferment	3.30%	3.00%
	£'000	£'000
<b>Scheme liability at 31 March 2005</b>		<b>256,130</b>
Current service cost		4,264
Curtailment Losses		-
Interest on pension scheme liability		<u>16,490</u>
<b>Benefits payable</b>		<b>20,754</b>
Pensions or annuities to retired Employees and dependants	(11,613)	
Commutations and lump sum benefits:		
On retirement	(619)	
On early retirement	(653)	
On death	(42)	
Injury benefits	-	
		(12,927)
<b>Pension payments to and on account of leavers</b>		
Refunds to members leaving service	(17)	
Group transfers to other schemes	-	
Individual transfers to other schemes	(46)	
Club Transfers	<u>(106)</u>	
		(169)
		(13,096)
<b>Income received in respect of enhancements</b>		
Employees:	248	
Purchase of added years	479	
WPS contributions		
<b>Employers:</b>		
Bringing forward the payment of accrued lump sums	-	
Enhancement to pensions on departure	-	
Enhancement to pensions on retirement	<u>-</u>	
		727
<b>Pensions transfers in</b>		
Group transfers in from other schemes	-	
Individual transfers in from other schemes	141	
Club Transfers	<u>384</u>	
		525
		1,252
<b>Actuarial gains and losses</b>		
Experience arising on scheme liabilities	2,223	
Changes in assumptions underlying the present value of Scheme liabilities	36,822	
Impact of change in exchange rate	<u>1,345</u>	
		40,390
		40,390
<b>Scheme liability at 31 March 2006</b>		<b>305,430</b>
Opening balance		256,130
Closing balance		<u>305,430</u>
		<b>49,300</b>
Operating cost		4,264
Financing cost		16,490
Pension payments		(11,844)
Statement of recognised gains and losses		<u>40,390</u>
		<b>49,300</b>

	31/03/2006	31/03/2005	31/03/2004
Experience Gains and Losses on Scheme Liabilities			
Amount	2,224	(4,087)	4,441
Percentage of the present value of Scheme Liabilities	-0.7%	1.6%	-2.1%
Total Amount Recognised in statement of total recognised gains and losses			
Amount	(40,390)	(4,763)	(6,147)
Percentage of the present value of Scheme Liabilities	-13.2%	-1.9%	-2.5%

The DfT has reported a contingent liability for the General Lighthouse Authorities' pensions for inclusion in the Consolidated Fund and National Loans Fund accounts for 2005/2006 and a liability of £305.4m has been disclosed.

On 17 December 2001 the then Department of Transport, Local Government and the Regions gave the General Lighthouse Authorities a "Letter of Comfort" (see appendix 1) in respect of contingent pension liabilities. The letter states that in the unlikely event of insufficient money being available from the General Lighthouse Fund to pay pension liabilities, the Department will request funds from Parliament to make the necessary payments. In November 1998 it was agreed together with the GLA's and the Lights Advisory Committee that a full actuarial valuation would be completed at three yearly intervals. AoN Consulting Limited have been engaged to provide actuarial support and have completed three full valuations.

The principal revenues of the Fund are light dues, which are fixed by the Secretary of State by orders under Section 205(5) of the Merchant Shipping Act 1995 (which are subject to negative resolution by Parliament). Subject to Parliament's approval of such orders, the Secretary of State will seek to ensure that annual revenues are maintained at a sufficient level to meet the pensions' liabilities.

### Merchant Navy Officers' Pension Fund

The GLA's are a Participating Employer of the Merchant Navy Officers' Pension Fund (MNOFF) which is a defined benefit scheme providing benefits based on final pensionable salary. The MNOFF has a deficit of £194,000,000 identified in an actuarial valuation as at 31 March 2003. The rules of the MNOFF state that Participating Employers may be called to make lump sum payments to make up deficits. With effect from 8 June 2000 the rules were amended to state that an employer will not be regarded as ceasing to be a Participating Employer as a result of ceasing to employ Active Members or other eligible employees. The MNOFF has made an application to the Court to obtain confirmation that the position that applies from 8 June 2000 also applied before. As a Participating Employer, the Board can be required to contribute to the deficit. The hearing of this matter took place between 8th and 11th March 2005 and the judgement was handed down by Mr Justice Patten on 22nd March 2005. In general terms the judgement stated that the Trustees of the MNOFF are entitled to demand a contribution to meet the deficit in the Post 1978 section from all employers who ever participated in the Fund. This means that the burden will be spread over a large number of companies. It also means that the Trustees have the option of demanding contributions from employers who have only ever participated in the Pre 1978 Section to meet the deficit in the Post 1978 Section. Although the Trustees have yet to make a decision, our legal advice is that the Trustees are unlikely to demand a contribution from this group of employers. The Trustees have also not decided whether these additional contributions will be payable as a single payment or spread over several years.

As a result we have made a provision in these accounts on the assumption that the Trustees will decide that the liability for the deficit will be spread over employers who have contributed at some time to the Post 1978 Section and the contributions will be payable over the next ten years. This provision amounts to £45,000 and the estimate was based on liability estimates provided by the MNOFF.

## 25). Reserve Movements

a) Accumulated Reserve	Accumulated Reserve £'000	Revaluation £'000	Deferred Govt. Grant £'000	Capital Grant £'000	Total £'000
Opening Balance	(106,316)	2,441	2,079	221	(101,575)
Added during the year	1,680	12,685	1,656	-	16,021
Actuarial Loss	(40,390)				(40,390)
Transfer to Income & Expenditure Account	(673)			(14)	(687)
Closing Balance	<b>(145,699)</b>	<b>15,126</b>	<b>3,735</b>	<b>207</b>	<b>(126,631)</b>

The balance on the Accumulated Reserve is analysed as follows:

	31/03/2006 £'000	31/03/2005 £'000
Accumulated Reserve excluding pension liability	159,731	149,813
Pension Liability	(305,430)	(256,129)
<b>Accumulated Reserve</b>	<b>(145,699)</b>	<b>(106,316)</b>

The balance on the Deferred Government Grant Reserve is analysed as follows:

	31/03/2006	31/03/2005
UK Government Grants	2,182	1,062
Republic of Ireland Government Grants	1,115	979
European Union Grants	438	38
<b>Deferred Government Reserve</b>	<b>3,735</b>	<b>2,079</b>

## 26). Post Retirement Benefits

In common with many employers the General Lighthouse Authorities have paid for career counselling and advice for staff made redundant under restructuring. Normally this advice is provided prior to retirement.

## 27). Contingent Liabilities

### Protection and Indemnity

The GLA's marine protection and indemnity risks are insured through The Standard Steamship Owners' Protection and Indemnity Association (London) Limited which is a member of the International Group of Protection and Indemnity Clubs.

The Club has adopted a conservative underwriting policy and concentrates on insuring vessels operating in European inland waterways, harbours and coastal trades.

The mutual method of insuring these risks includes a re-insurance programme and the pooling arrangements of the International Group. However, in common with all members of International Group Clubs, the GLA's could be liable for additional premium payments (Supplementary Calls) to cover any claims which cannot be met from funds available. The Standard Club has closed the years up to and including 2003/2004 and there will be no Supplementary Calls for these years. The Club have advised the GLA's that it does not anticipate Supplementary Calls for the years 2004/2005 and 2005/2006. As a result the GLA's has made no provision in the accounts.

### Litigation

The Northern Lighthouse Board has one outstanding dispute arising out of its normal activities. The legal opinion obtained by the Board indicates that in the event of litigation the Board is likely to succeed. Therefore no provision has been made in the accounts.

### Activity outside of Territorial Waters

In order to carry out their duties in relation to providing Aids to Navigation and Wreck Marking around the coast of the United Kingdom and the Republic of Ireland, the GLA's operate in extra territorial waters. To the best of their knowledge they have no contingent liabilities in respect of these activities.

## 28). Related Parties

The Fund is administered by the DfT who sponsor the three Authorities. For this purpose each is considered to be a Non-Departmental Public Body.

The Authorities and DfT are regarded to be related parties.

Neither the Secretary of State for Transport, any key officials with responsibilities for the Fund or any of the Authorities' Board members, key managerial staff or other related parties has undertaken any material transactions with the Fund during the year.

### Trinitas Services Ltd

TH has entered into an agreement to lease lighthouse cottages to Trinitas Services Limited, a wholly owned subsidiary of the Corporation. The agreement provides for some 34 lighthouse cottages at 14 locations to be leased to Trinitas for 25 years. Trinitas is refurbishing the cottages and entering a contract with Rural Retreats to let them as holiday cottages. At present 30 cottages are let under this agreement.

The investment in bringing the cottages to material state together with the legal costs of this agreement was in the order of £490,000.

The freehold interest in the properties remains with TH. The potential uplift in value at the end of the lease period arising from the refurbishments is uncertain. A ground rent is payable during the currency of each lease but there is no premium.

In order to finance the refurbishments TH has made a loan facility available to Trinitas Services Ltd up to £1,000,000. The maximum amount which had been drawn down was £600,000. At the Balance Sheet date £320,000 remained outstanding. The loan has a fixed interest rate of 5% payable after three years.

Captain N R Pryke, a Non-Executive Director has been appointed to the Board of Trinitas Services Ltd as nominee of TH, and Rear Admiral J M de Halpert, Executive Chairman, TH, became a shareholder of Trinitas Services Ltd on 28 March 2006.

### Corporation of Trinity House

The Corporation of Trinity House owns Trinity House Tower Hill and provides rent free accommodation for the use of the Trinity House Lighthouse Service. The Lighthouse Service reimburses the Corporation for service charges in proportion to the floor area occupied. During 2005/06 TH paid £214,544 to The Corporation of Trinity House in respect of service charges incurred in using office space and facilities at Trinity House, London (£186,827 in 2004/05). The Lighthouse service also contributed £250,000 towards the refurbishment of Trinity House Tower Hill.

Conversely, the Corporation of Trinity House reimburses The Trinity House Lighthouse Service for the provision of services during the year. The Corporation paid £43,387 to TH in respect of these services during the year (£9,299 in 2004/05).

### **East of England Development Agency**

In accordance with the accounts direction the East of England Development Agency (EEDA) is deemed to be a related party of TH since both organisations are sponsored by government departments.

The redevelopment of the Harwich depot is part funded by a grant from the East of England Development Agency. In the grant offer letter of 5 March 2003 EEDA agreed to fund 29% of the eligible costs of redevelopment up to a maximum of £2.5 million. Certain conditions are attached to the grant such that it may be repayable if TH closes operations in Harwich before 2013 or if the expected increase in employment at the Harwich depot is not achieved

During 2005/06 TH received grant funding of £1,148,507 from EEDA (£955,470 in 2004/05).

### **The North Ronaldsay Trust**

The North Ronaldsay Trust is a company limited by guarantee and registered in Scotland. The trust has been established to promote the island and in particular, the built and natural heritage. The Trust has six nominated members including the Northern Lighthouse Board. The Director of Finance and Administration has been appointed as a Director of the Company. The Board's liability to the Trust is limited to £1 and there have been no transactions in the year.

### **Scotland's Lighthouse Museum Ltd**

Scotland's Lighthouse Museum (SLM) Ltd is a registered charity whose primary purpose is to advance and promote the education of the general public, to establish and preserve a Museum of the history and operation of the lighthouses in Scotland and to aid their physical preservation. The Chief Executive and Director of Engineering of NLB are SLM Board Members. To date the only transactions between the museum and the board have been the gifting or loan of artefacts. However, it is hoped in the future to explore synergies between the museum and the Board's policy for extended public access to lighthouses and general public relations activities.

### **Department of Transport ( Republic of Ireland)**

The Republic of Ireland's Department of Transport (DoT) is considered to be a related party of the Commissioners of Irish Lights. During the year no material transactions took place between the Commissioners of Irish Lights and the DoT except as disclosed by note 1k to the accounts.

## **29). Post Balance Sheet Events**

The post balance sheet events are covered in the management commentary to the accounts (page 19)

## **30). Financial Instruments**

Financial Reporting Standard 13 - Derivatives and other Financial Instruments (FRS 13) requires disclosure of the role which Financial Instruments have had during the year in creating or changing the risks the GLA's face in undertaking their activities. Because of the largely non trading nature of their activities and the method of funding from the General Lighthouse Fund, they are not exposed to the degree of financial risk faced by other business entities. The GLA's have borrowing powers under the Merchant Shipping Act 1995 but very limited powers to invest in surplus assets / funds.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months of the Balance Sheet date have been omitted from the profile.

### **Liquidity Risk**

The GLA's rely primarily on advances from the General Lighthouse Fund for their cash requirements and are therefore not exposed to significant liquidity risks, although they are of course dependant indirectly on the liquidity of the General Lighthouse Fund.

### **Interest Rate Risk**

#### **Trinity House**

There are two finance leases for the two ships which have a potential exposure to risk. The lease in regard to THV Patricia has expired its primary term and is now on a fixed peppercorn rent. The lease on THV Mermaid has an interest rate which is variable in accordance with the London Inter Bank Offered Rate (LIBOR). Whilst the initial rate and lease repayments were set in 1988, the current interest rates are at a much lower level and repayments are being obtained against each payment. In addition, the lease is also subject to change as a result of a change in the main rate of Corporation Tax. However, both these adjustments are not considered significant and do not therefore pose any material risk.

The Authority holds working funds in moneymarket accounts and is therefore exposed to interest rate fluctuations, although here again these balances are very small and so the risk is insignificant.

The rate of interest on the loan that has been made to Trinitas Services Ltd is also fixed and therefore presents no risk against interest fluctuations.

### Northern Lighthouse Board

There is an exposure on the leases to a change in the main rate of Corporation Tax. During the setting up of the finance lease for NLV Pole Star, the Board evaluated the option of eliminating the exposure. However it was found that the financial risks were not significant.

The financing arrangements under the lease agreement for the new ship means the Board has an exposure to interest rates. The stage payments payable to the shipyard and other contract costs incur interest at the London Inter bank offer rate during the construction phase. The Board has the option to fix the interest rate for the duration of the lease.

The Board hold working funds in a money market account and is therefore exposed to interest rate fluctuations. However the balance is managed to ensure that it is maintained at a minimum to meet forecast short term cash requirements.

### Commissioners of Irish Lights

The finance lease for the ILV Granuaile is at a fixed interest rate and there is no exposure to interest rate risk.

The Service holds monies in interest earning deposit accounts which are exposed to interest rate fluctuations. However, these accounts are managed so that monies retained are held at minimum levels.

### Currency Risks

The introduction of the Euro account in London where Euro income is retained for CIL General Lighthouse Fund advances has reduced the level of currency exposure. The balance held as at 31 March 2006 £0.7M.

### Fair Values

Set out below is a comparison by category of the book values and fair values of the Fund's financial assets and liabilities as at 31 March 2006.

	<i>Book value</i> £'000	<i>Fair Value</i> £'000
<b>Financial Assets</b>		
Investments	61,984	74,047
Cash at bank and in hand	27,565	27,565
Bank Guarantees	325	325
Loan to Trinitas Services Ltd	320	320
<b>Financial Liabilities</b>		
Finance lease obligations	18,712	19,002

## 31). Third Party Assets

The Commissioners of the Northern Lighthouse Board operate two Charitable Trusts. Individual Commissioners and Directors are appointed to act as Trustees but neither the Commissioners of Northern Lighthouses (as a corporate body) nor the General Lighthouse Fund has a direct beneficial interest. The Trusts were established from donations and are used to provide support to former lightkeepers and their dependants and for assisting young people starting careers as Merchant Navy Officer Cadets. At 31st March 2006 the cash and investment balances were £56,803.

In addition assets are held by the Northern Lighthouse Board on behalf of the charitable trust's Commissioners. These assets are a collection of furniture, books, maps, paintings and silver and do not form part of the General Lighthouse Fund. They were last valued for insurance purposes on 14th December 2003 at £602,980.

## 32). Losses

### Northern Lighthouse Board

£108,000 was charged to the Income and Expenditure Account during the year following the destruction of the lighthouse at Bullia Skerry caused by sea conditions. The costs written off include the written down value of the structure (£99,000) and the cost of recovery (£9,000).

### Commissioners of Irish Lights

During the year £15,000 losses were incurred in relation to the write off of obsolete stock.

## 33). Prior Year Adjustments

There were no prior year adjustments.

**34). Further Information**

a) <b>Number of fixed assets:</b>	<i>TH</i>	<i>NLB</i>	<i>CIL</i>	<i>31/03/2006</i>	<i>31/03/2005</i>
Lighthouses	70	211	81	362	369
Lightvessels	12	-	3	15	17
Lightfloats	2	-	-	2	2
Lanby Buoys	-	-	3	3	3
Buoys & Beacons	575	265	292	1132	1134
Tenders & Ancillary Craft	13	2	2	17	20
Lighthouses abroad	1	-	-	1	1
	<b>673</b>	<b>478</b>	<b>381</b>	<b>1532</b>	<b>1546</b>
<b>b) <b>Number of Fixed Assets deployed:</b></b>	<i>TH</i>	<i>NLB</i>	<i>CIL</i>	<i>31/03/2006</i>	<i>31/03/2005</i>
Lighthouses	69	211	80	360	365
Lightvessels	9	-	2	11	13
Lightfloats	2	-	-	2	2
Lanby Buoys	-	-	2	2	2
Buoys & Beacons	518	197	196	911	846
Tenders & Ancillary Craft	6	2	2	10	11
Lighthouses abroad	2	-	-	2	2
	<b>606</b>	<b>410</b>	<b>282</b>	<b>1298</b>	<b>1241</b>



## Five Year Summary

	2006	2005	Restated 2004	Restated 2003	Restated 2002
Light Dues and Irish Income	74,602	71,123	74,663	74,096	77,196
Other Income	5,460	5,390	4,166	829	967
	<b>80,062</b>	<b>76,513</b>	<b>78,829</b>	<b>74,925</b>	<b>78,163</b>
Staff Costs	(26,240)	(28,401)	(26,527)	(24,053)	(24,025)
Pensions	(4,240)	(5,124)	(5,056)	(3,175)	(10,585)
Amortisation of Intangible Assets	(124)	0			
Depreciation of Tangible Assets	(11,455)	(9,926)	(9,256)	(8,704)	(8,123)
Other Operating Costs	(25,059)	(23,531)	(22,211)	(28,021)	(20,117)
	<b>12,944</b>	<b>9,531</b>	<b>15,779</b>	<b>10,972</b>	<b>15,313</b>
Exceptional Items - Costs of Restructuring TH	-	(7,902)	-	-	-
Interest on Pension Scheme Liability	(16,490)	(15,666)	(13,627)	(13,872)	-
Gain/(Loss) on Sale of Fixed Assets	207	(215)	(343)	(173)	623
Income from Investments	2,105	1,802	1,708	1,563	1,493
(Loss)/Profit on Sale of Investments	998	(550)	(1,030)	(3,989)	(1,529)
Other Interest Receivable	914	1,124	898	677	788
Interest Payable	(1,351)	(1,460)	(1,580)	(1,814)	(2,035)
Surplus for the Financial Year	<b>(673)</b>	<b>(13,336)</b>	<b>1,805</b>	<b>(6,636)</b>	14,653
Fixed Assets	105,577	100,890	96,990	98,137	99,207
Net Current Assets	94,517	85,750	84,679	66,372	74,412
Long Term Creditors, Capital & Reserves	(143,108)	(126,697)	(116,822)	(127,778)	(173,619)
Pension Liability & Other Provisions	(310,248)	(263,093)	(244,417)	(232,621)	-
Purchase of Tangible Fixed Assets	16,028	13,317	8,116	7,701	11,469
Average Number of Employees (inc part time)	909	956	1,010	1,042	1,087

## APPENDIX 1

### The Department for Transport, Local Government and the Regions

#### Letter of Comfort in respect of General Lighthouse Fund Pensions, contingent liabilities, given to the General Lighthouse Authorities

The pensions in respect of the beneficiaries of the Pension Schemes of the General Lighthouse Authorities (GLA's) are safe. This is recognised by the fact that the pensions liability of the General Lighthouse Fund (GLF) is reported to Parliament annually as a contingent liability of the Department of Transport, Local Government and the Regions (DTLR). This is a form of early warning to Parliament that it may be asked to authorise expenditure on this item. Any liability which a GLA might not be able to meet from its own resources (which in the GLA's case is the GLF) would fall to DTLR as the sponsor department.

DTLR has therefore already given the strongest public assurance that the pensions of the beneficiaries of the Pension Schemes of the GLA's will be paid by the inclusion of the liabilities of the GLF in their departmental contingent liability return to Parliament. Therefore in the unlikely event of insufficient money being available, DTLR will request funds from Parliament to ensure that the pensions are paid to the beneficiaries of the Pensions Schemes of the GLA's. The pensions of the GLA's are therefore assured by this Letter of Comfort.

Signed By:

DAVID JAMIESON  
On behalf of the Secretary of State  
For Transport, Local Government and the Regions  
Date 17.12.2001

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