



**THE GENERAL
LIGHTHOUSE FUND
2006 - 2007**

HC161

Department
for Transport



THE GENERAL LIGHTHOUSE FUND

2006 - 2007

Report and Accounts for the year ended 31 March 2007
(in continuation of the House of Commons Paper No 420 of 2006/2007)

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

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Introduction to the Report and Accounts

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 2006/2007 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 (GLAs):

- 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 (Beacons: 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.

The General Lighthouse Authorities (Beacons: Automatic Identification System) Order 2006 came into effect on 20 July 2006 and states that the definition of 'Beacon' in the Merchant Shipping Act includes Automatic Identification System equipment.

Code of Practice for Board Members

The GLAs 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

- The delivery of THV Alert, NLV Pharos and continuing construction of THV Galatea
- The sale of the old MV Pharos.
- The completion of the new TH offices and buoy yard at Harwich.
- Continued construction of the new CIL Headquarters and depot complex at Dun Laoghaire.
- The sale agreement of the existing CIL Headquarters in Dublin.
- Securing the designation of AIS as a beacon within the meaning of the Merchant Shipping Act 1995.
- The appointment and transition to new investment managers for the GLF.
- Publication of the GLA Radionavigation Plan

Management Commentary

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 (GLAs). The GLAs 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 GLAs 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 GLAs 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 Europa Point Lighthouse in Gibraltar and the Sombrero Light off Anguilla.

In recent years progress towards modernisation of the GLAs has been rapid. All lighthouses were automated by 1998 with controls centralised at each GLAs 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 GLAs to close the expensive Decca Navigation System in 2000. The GLAs 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 tonne in 1993 to 35p in 2006.

Today the GLAs are multi-skilled organisations providing a highly technical and specialised professional service. The primary aim of the GLAs 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 GLAs 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 was the second time that the three GLAs 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 GLAs 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 GLAs resources. However, the GLAs 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 GLAs 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 GLAs envisage that Automatic Identification System (AIS) technology will significantly enhance and complement existing AtoN. The GLAs will apply AIS technology to selected AtoN during the period of this strategy.

With concerns about the vulnerability of GNSS, the GLAs 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 sector lights; and meteorological data.

Future Goals

To deliver the strategy contained in 2020 The Vision, the three GLAs will continue to co-operate with each other and consult with all users to continuously review all its AtoN. The GLAs will continue to participate in the 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 GLAs 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 GLAs have conducted a joint review of Aids to Navigation off 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 GLAs capital works and buoyage programme contained within individual corporate plans.

The Management of the General Lighthouse Fund is committed to the following;

- Work with the GLAs to implement the aids to navigation strategy set out in the GLAs 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 GLAs to review the best approach to meeting the GLA's pension commitments. A move to a funded scheme for new employees has been evaluated;
- Seeking to bring forward legislation that will regularise the Territorial Waters issue;
- Work with the Republic of Ireland Department of Transport, to review the funding formula for Aids to Navigation in the Republic of Ireland;and
- Maintain light dues at the lowest level compatible with meeting the GLAs statutory obligations and the funding of the GLA's pension schemes.

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 software situated in each GLA monitoring centre.

Performance

See Pages 5-7

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 their 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

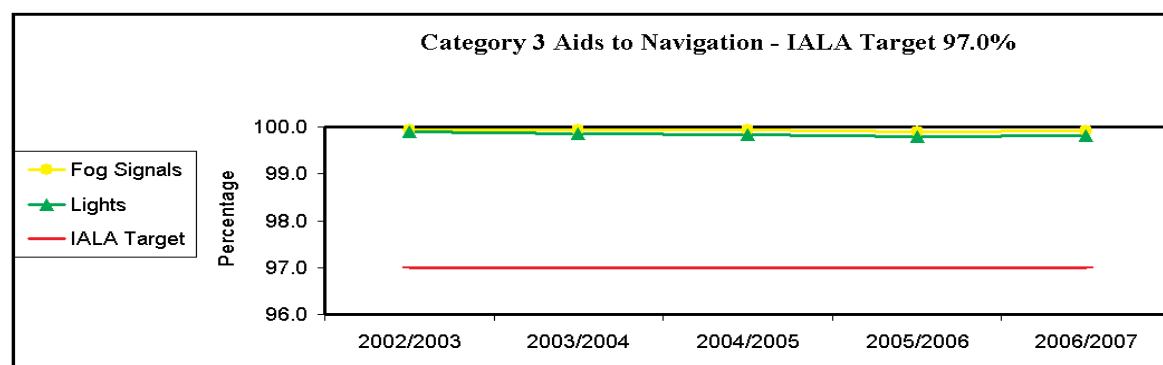
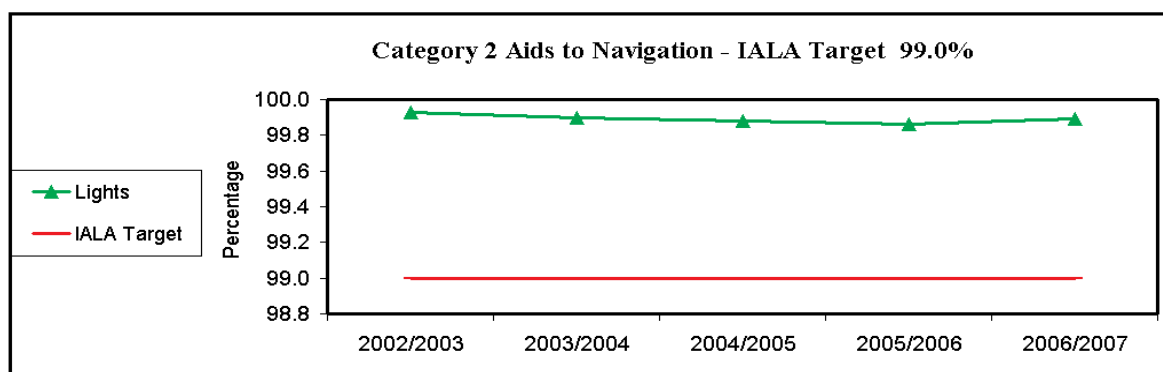
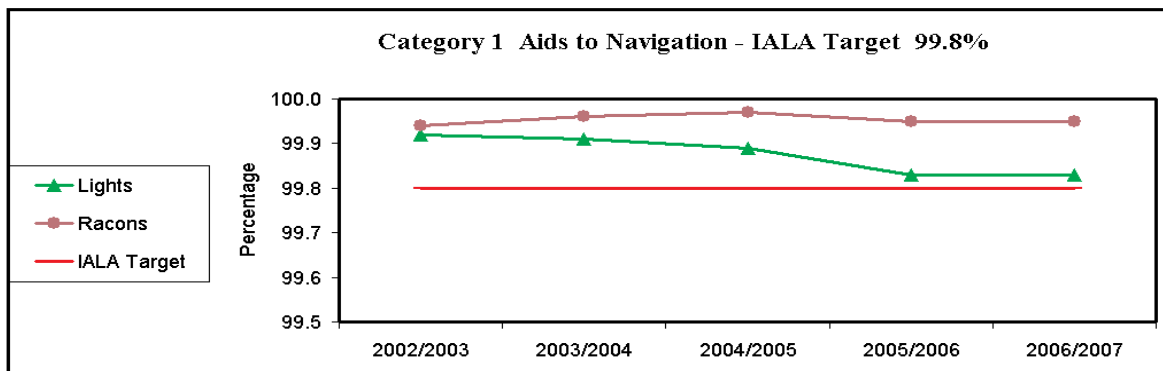
Trinity House Lighthouse Service

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 %	2002/2003 Actual %	2003/2004 Actual %	2004/2005 Actual %	2005/2006 Actual %	2006/2007 Actual %
Lights (Major)	1	99.80	99.92	99.91	99.89	99.83	99.83
Racons	1	99.80	99.94	99.96	99.97	99.95	99.95
Lights (Other)	2	99.00	99.93	99.90	99.88	99.86	99.89
Fog Signals	3	97.00	99.94	99.94	99.93	99.90	99.91
Lights (Buoys)	3	97.00	99.90	99.86	99.84	99.80	99.81

Three Year Rolling Averages

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

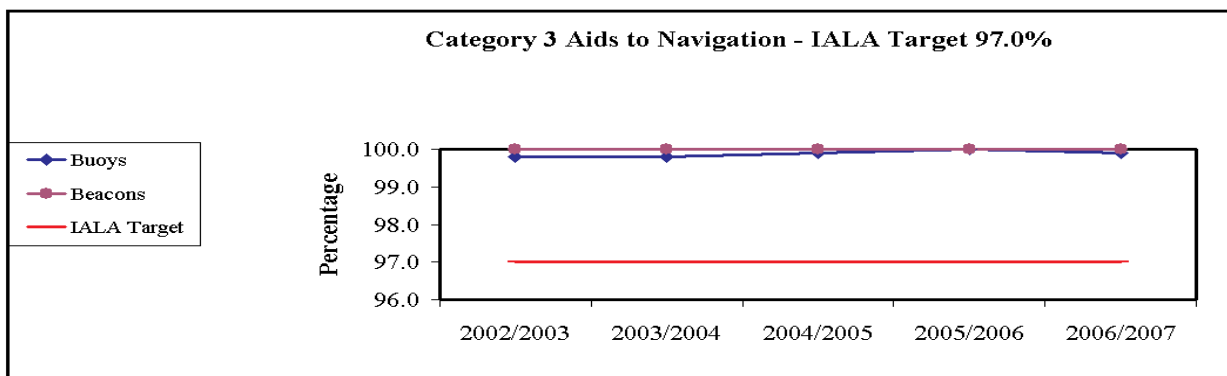
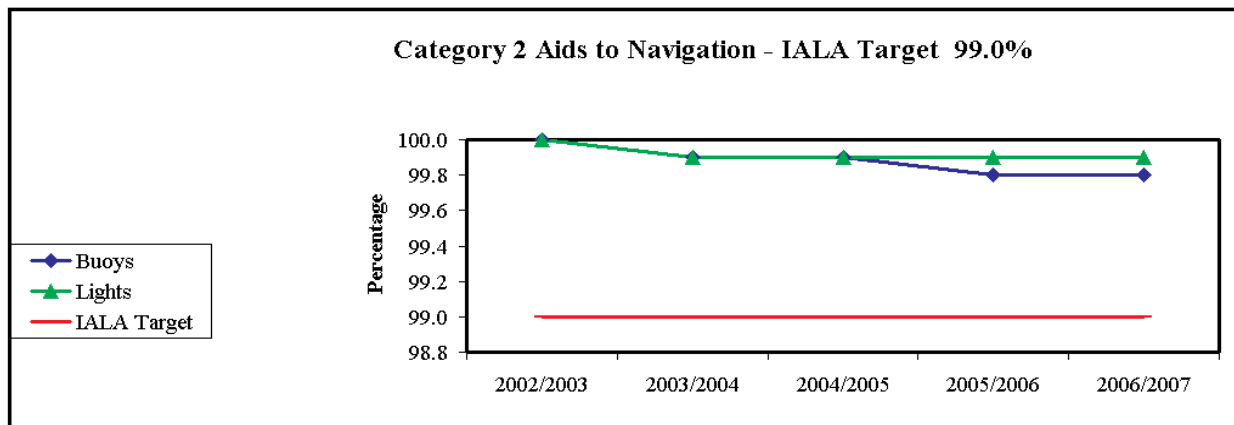
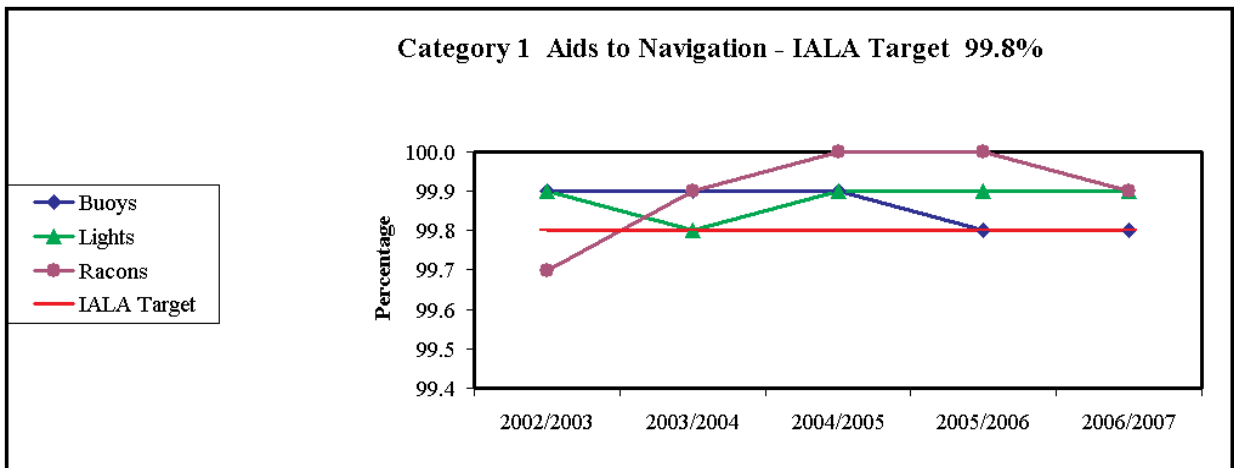


Northern Lighthouse Board

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 %	2002/2003 Actual %	2003/2004 Actual %	2004/2005 Actual %	2005/2006 Actual %	2006/2007 Actual %
Buoys	1		99.90	99.90	99.90	99.80	99.80
Lights	1		99.90	99.80	99.90	99.90	99.90
Racons	1		99.70	99.90	100.00	100.00	99.90
Total	1	99.80	99.90	99.90	99.90	99.90	99.90
Buoys	2		100.00	99.90	99.90	99.80	99.80
Lights	2		100.00	99.90	99.90	99.90	99.90
Total	2	99.00	100.00	99.90	99.90	99.90	99.90
Buoys	3		99.80	99.80	99.90	100.00	99.90
Beacon	3		100.00	100.00	100.00	100.00	100.00
Total	3	97.00	99.90	99.90	99.90	99.90	99.90

Three Year Rolling Averages

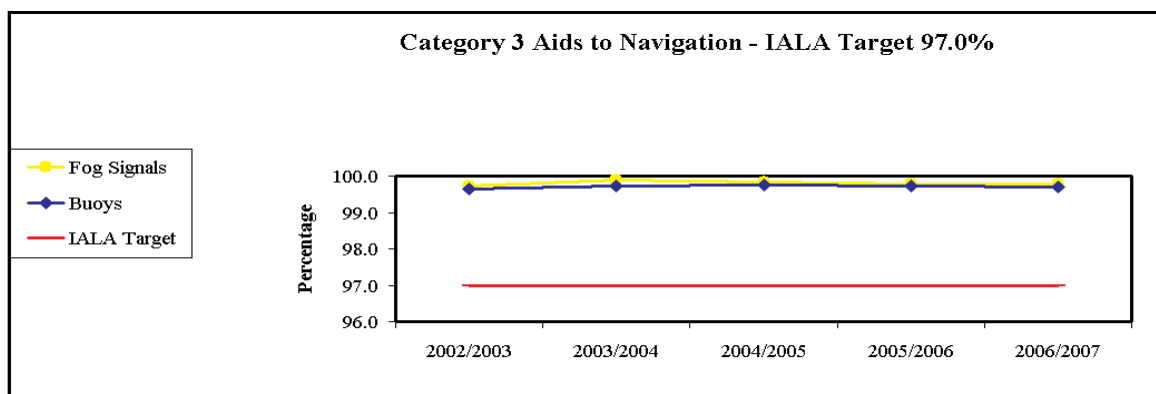
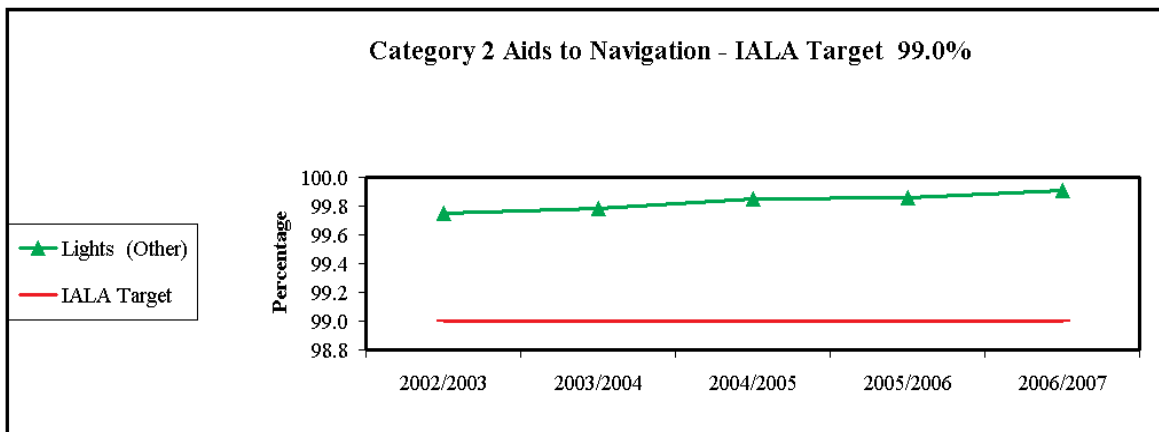
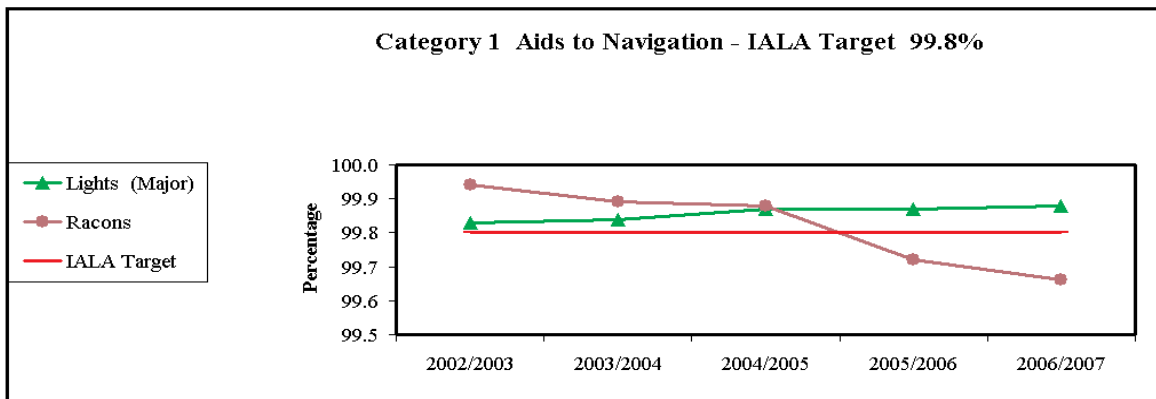


Commissioners of Irish Lights

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 %	2002/2003 Actual %	2003/2004 Actual %	2004/2005 Actual %	2005/2006 Actual%	2006/2007 Actual%
Major Lights	1	99.80	99.83	99.84	99.87	99.87	99.88
Racons	1	99.80	99.94	99.89	99.88	99.72	99.66
Other Lights	2	99.00	99.75	99.78	99.85	99.86	99.91
Fog Signals	3	97.00	99.72	99.88	99.83	99.79	99.79
Buoys	3	97.00	99.64	99.73	99.75	99.73	99.71

Three Year Rolling Averages



Current and Future Developments

Ships

A far reaching review of the GLA fleet, concluded in April 2003 that, with the impact of current and future technology, there was evidence to suggest that the services provided by the existing fleet of five capital vessels could best be supported by four modern multi-purpose tenders strategically placed around the seas contiguous with the United Kingdom and the Republic of Ireland.

The review, commissioned by the three GLAs and the Department for Transport in consultation with the Lights Advisory Committee, concluded MV Pharos and THV Mermaid should be replaced with two similar Multi-Function Tenders (MFT) based on the design of the Commissioners of Irish Lights vessel CIL Granuaile. After a detailed risk analysis of the business of the GLAs statutory duties and undertakings, the need for a Rapid Intervention Vessel (RIV) was also identified to work predominantly in the very high-risk sea area of the Dover Strait and Southern Bight of the North Sea.

The contracts covering both MFT's and the RIV, including Novation and Superintendence Agreements (the former between Williams and Glyn's Bank and Remontowa Shipyard and the latter between Williams and Glyn's and the GLAs) were formally signed at a ceremony attended by all interested parties in London on 11 December 2004. The contracts were valued at £38 million.

The RIV (THV Alert) was delivered in April 2006 under budget at a cost of £3.8m (contract cost £4.2m), and the first MFT (NLV Pharos) was delivered in March 2007 at a cost of £17.5m. The second MFT (THV Galatea) was delivered on 17 July 2007. The old MV Pharos was sold and the associated lease terminated in September 2006, at a net cost of £4.1m to the GLF, this was taken into account in the business plan for the overall project. The THV Mermaid has been removed from operational service and will be sold during 2007.



NLV Pharos



THV Galatea

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, with the exception of two small facilities, with two technicians each, on Orkney and Shetland. In February 2007, after an extensive review, the Commissioners, decided to retain its headquarters at 84 George Street, Edinburgh. The final analysis showed that there would be no financial benefit from a move to an alternative location. It is now intended to carry out some limited refurbishment to the building in order to provide facilities which currently do not exist, to make better use of the space available and to improve the working environment.

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 Duke of Edinburgh, the Master of Trinity House, in July 2005, opened the new office facilities and the new depot facilities came into operation 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 is being funded from the sale of the existing CIL headquarters at 16 Lower Pembroke Street building in Dublin. This building has been sold for €26m (£17m), and completion of the sale took place on 17 July 2007. Work at Dun Laoghaire is proceeding according to plan and CIL expect to fully relocate to the new facility in October 2007. In the interim, an agreement has been reached with the new owners of 16 Lower Pembroke Street to continue to occupy the existing offices at a commercial rent until October 2007.



Harwich 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 maritime environment.

Because of concerns with regard to the vulnerability of satellite systems, the provision of a terrestrial radio navigation backup is recommended in the strategy '2020 The Vision'. Loran C (or more accurately enhanced Loran (e-Loran)) is the only operational terrestrial system that meets all the requirements. Therefore, it is recommended that e-Loran be adopted as a maritime radio navigation backup to satellite systems. The Government will work closely with the General Lighthouse Authorities to achieve this.

On 18th May 2005 the General Lighthouse Authorities announced the trial of e-Loran at a BT Radio site near Rugby from June 2005. E-Loran is a long-range, low frequency electronic position-fixing system. The e-Loran transmissions have enabled the GLA's to test the efficiency of the e-Loran system in the UK and Ireland and evaluate it as a complementary system to the Global Navigation Satellite System (GNSS). E-Loran is dissimilar to GNSS in many respects and because of its different characteristics it can provide an effective backup and complement to GNSS.

E-Loran uses low frequency terrestrial transmissions and provides another source of navigation information should satellite navigation systems be unavailable. The trial was scheduled to run until October 2007 however test transmissions ceased on 4 July 2007, evaluation of the test results has indicated that the system can achieve accuracy of less than 9 metres in enhanced Loran form. The GLAs and DfT are working together to promote the adoption of e-Loran across Europe as a back up for the Galileo satellite system. A new contract has been agreed with VT Communications to provide a development phase transmission from its' transmitter at Anthorn in Cumbria. This phase will last for three years until 2010, at which point a further review will take place with a view to providing an e-loran service from this site until 2022.

Elsewhere, Automatic Identification System technology looks set to significantly enhance and complement existing aids to navigation. Following the last revision of the IMO Safety Of Life At Sea Convention, ships above certain sizes must be fitted with Automatic Identification Systems before the end of the year.

A new strategy has been published by the Department for Transport that details the areas where AIS technology could bring significant benefits beyond its primary function of monitoring ship movements, and how the data it provides could open some commercial revenue opportunities to offset its own running costs.

AIS is a radio-based ship-to-ship and ship-to-shore system that can identify and track the movement of ships up to 30 miles out from the UK's coastline. Large ships, those of 300 gross tonnage or more, have been required by the International Maritime Organisation to have had an AIS system installed for tracking purposes since 2004.

However, the technology behind AIS has the potential to offer an even broader range of services from a more responsive and lower-cost Aids to Navigation service, to assisting Search and Rescue services and Counter Pollution activity, to building a comprehensive database of shipping movements along the coastline.

AIS technology will form a key building block in an 'e-navigation' system of the future - an internationally integrated, electronic navigational aid that could transform the shipping industry and provide a safer and cleaner marine environment across the world.

The Maritime and Coastguard Agency (MCA) is responsible for establishing the coastal ground-station infrastructure, whilst the three General Lighthouse Authorities have been researching how AIS can be adopted as a safe and efficient virtual AtoN. Discussions are now taking place between the MCA and the three GLAs which underlines the MCA's lead responsibility for the development and adoption of AIS, but recognises the important contribution to be made by the GLAs' own AIS capability and the GLA responsibility for Aids to Navigation. The GLAs' 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 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 GLAs noted that a separate ground based radio navigation system could provide that back up and proposed the adoption of Loran C as that system. Ministers accepted the GLA proposals.

Light Dues

The income to the General Lighthouse Fund (GLF) comes mostly from light dues, which are charged on commercial shipping calling at United Kingdom and Republic of Ireland ports. There is no provision for Exchequer funding except in the Republic of Ireland. The Secretary of State for Transport has a duty to ensure the effective management of the GLF and enable the adequate provision of aids to navigation at the minimum cost.

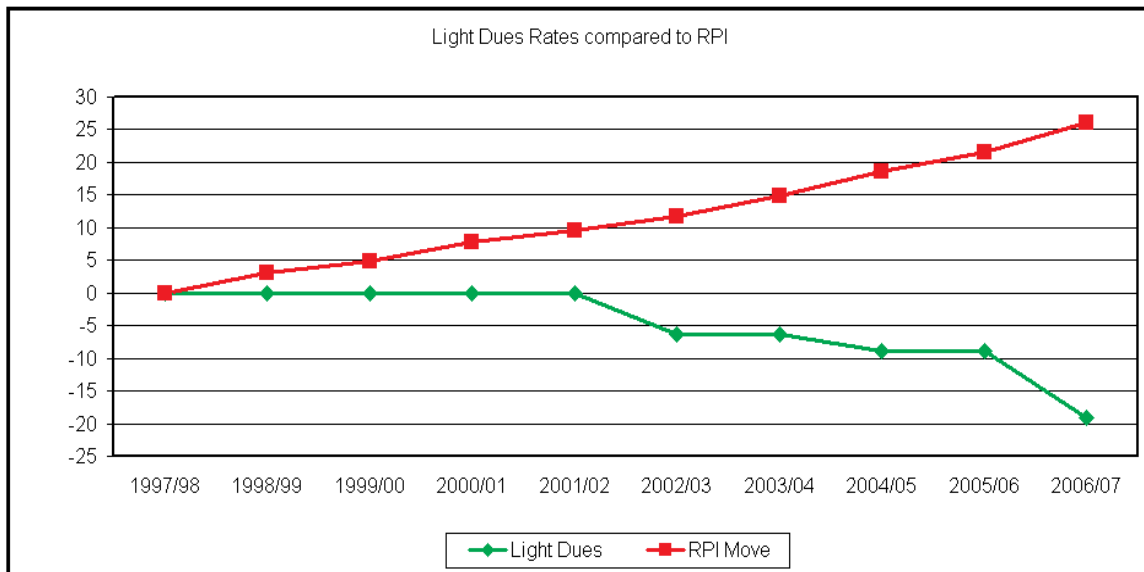
Belgium also levies charges on shipping for use of its navigational aids, but the sums involved are low by comparison with light dues, and presumably this is due to the length of Belgium's coastline. France, Germany and the Netherlands fund their navigational aids from general taxation. Given that UK commercial ports compete for traffic in some sectors with Continental ports in North West Europe and navigational aids outside port limits are generally funded out of general taxation on the Continent, there has been pressure from light dues payers to investigate the view that there could be some distortion of competition between UK and Continental ports as a result of the light dues system. A report by MDS Transmodal Limited in association with DTZ Pieda Consulting, commissioned by the (UK) Department for Transport, was published in March 2004 following a full review of the economic impact of light dues on shipping traffic in the UK.

The key findings of the report include:

- That abolition of light dues (in favour of funding aids to Headquarters navigation, etc, through general taxation) would have little impact on the routing of cargo/freight by sea (i.e. the UK would neither gain nor lose business in relation to continental competitor ports)
- That if light dues were abolished and all the reduction in costs for shipping lines were passed on to UK businesses, it would lead to only a 0.003% reduction in their costs.

The Government remains committed to the present system of recovering costs through light dues but is determined to minimise the cost burden on the shipping industry.

The General Lighthouse Authorities have consistently delivered reductions in the rate of light dues - the rate per tonne has fallen repeatedly since its 1993 peak of 43p and from 1st April 2006 to 35p. However, pressure from Government and the light dues payer will continue to minimise costs.



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 GLAs 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

During the course of the year 2005/06 an extensive review of investments and a tender and selection process of new investment managers 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 DFT using HSBC Liquidity Fund products has managed the cash reserve. Formally this was a function undertaken by Morgan Stanley Quilter.

The transition to the new investment managers was a significant exercise involving considerable liaison and cooperation between the DFT, both the old and new investment managers as well as the DFT's advisors. The new arrangements are working well and starting to produce the levels of return hoped for when the appointments were made.

Investments analysis by Investment House		Market Value 31/03/2007 £M	Cost 31/03/2007 £M
Martin Currie	Investments	44.6	40.7
	Cash for investments	1.3	1.3
Baillie Gifford	Investments	32.5	28.5
	Cash for investments	0.5	0.5
Total		78.9	71.0
HSBC Sterling Liquidity Fund		13.2	13.2
HSBC Euro Liquidity Fund		0.5	0.5
Total HSBC Liquidity Fund		13.7	13.7

Resources

People

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

GLA	2006/07	2007/08	2008/09
Commissioners of Irish Lights	211	190	185
Northern Lighthouse Board	194	202	201
Trinity House	304	296	283
Sub Total	709	688	669
Inter GLA			
Research & Radio Navigation	11	11	11
Light Dues Collections	6	6	5
Total	726	705	685

There is a comprehensive training plan throughout the GLAs 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 GLAs 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 GLAs. 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 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 31 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 GLAs 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 GLAs are continually reviewing all issues affecting environmental considerations which take account of the sensitive coastline in which they operate and the occasionally hazardous nature of some of the operations they have to undertake.

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

Disabled Employees

The policy of the GLAs 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 GLAs 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 GLAs 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 continually 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 GLAs 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 GLAs 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 GLAs 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 £348M as at 31st March 2007 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 GLAs 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 GLAs' pension liabilities, the UK Parliament would be asked to meet any shortfall. Pension contributions, which total £43M, 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 GLAs, 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

The General Lighthouse Fund is administered by the DfT, who sponsor the three General Lighthouse Authorities. The relationship between the GLAs and the DfT is set out in a Framework Document (Incorporating Financial Memorandum and Management Statement).

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 comprises payers of light dues. It includes shipowners from all parts of the British Isles and most sectors of the shipping industry, plus 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 GLAs 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

The General Lighthouse Fund employs two investment managers Baillie Gifford & Co. and Martin Currie Investments Limited to manage the Fund's investment portfolio and a third, HSBC Investments Limited to handle the Funds cash arrangements that service the operational cash requirements of the GLAs. These appointments were effective from the 1st July 2006, prior to this the management of the investment portfolio and banking arrangements were undertaken by Morgan Stanley Quilter and HSBC.

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 GLAs 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 GLAs from buoy and property rental, workshop service and the sale of assets. The fund also receives income from investments. All three GLAs 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 Transport and the Marine 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 Policies

The Accounting Policies are reviewed each year in accordance with FRS18, Accounting Policies. This review is carried out at the tri-GLA Accounts Format Working Group. No Accounting Policies have altered since last year.

Operating Results

The operating results for the year are set out in the Income and Expenditure account and show an operating surplus of £10.5m for 2006/07 (£12.9m in 2005/06). The total operating surplus of £127,000 was transferred to the Accumulated Reserve (2005/06 deficit £673,000).

For 2006/07 the GLAs performance against the Cash Limits set by the DfT can be summarised as follows:

Commissioners for Irish Lights	Actual Expenditure £'000	Cash Limits £'000	Variation £'000
Running Costs	13,168	14,232	(1,064)
Capital Expenditure	1,799	2,602	(803)
Capital Dun Laoghaire	6,004	8,127	(2,123)
Pension & Ships Lease	6,012	6,142	(130)
Total	26,983	31,103	(4,120)
Less Dun Laoghaire	(6,004)	(8,127)	2,123
Total Ex Dun Laoghaire	20,979	22,976	(1,997)

Northern Lighthouse Board	Actual Expenditure £'000	Cash Limits £'000	Variation £'000
Running Costs	13,203	15,264	(2,061)
Capital Expenditure	2,257	4,923	(2,666)
Expenditure on behalf of all GLA's	37	60	(23)
Pension & Ships Lease	11,786	12,793	(1,007)
Total	27,283	33,040	(5,757)

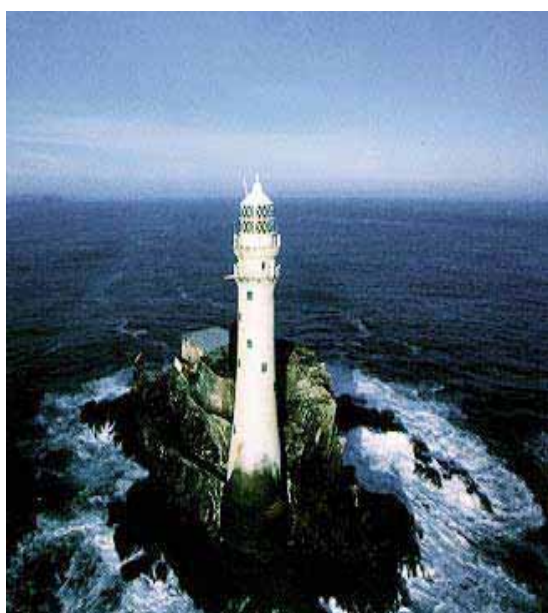
Trinity House	Actual Expenditure £'000	Cash Limits £'000	Variation £'000
Running Costs	22,908	22,873	35
Capital Expenditure	3,547	7,287	(3,740)
Expenditure on behalf of all GLAs	1,972	2,594	(622)
Expenditure on behalf of DfT	380	422	(42)
Pension & Ships Lease	7,362	7,577	(215)
Total	36,169	40,753	(4,584)

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 £348m as at 31 March 2007. 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 GLAs 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 2007 the actuaries estimate that £43m 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.



FASTNET LIGHTHOUSE



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Expenditure on Tangible Fixed Assets

During the year to 31 March 2007 the GLAs expenditure on tangible fixed assets was as follows:

Commissioners for Irish Lights	2006/07	2005/06
	£'000	£'000
Assets in course of construction	1,154	882
Land & Buildings	-	-
Tenders, Ancilliary Craft & Floating Aids	266	607
Dun Laoghaire Redevelopment	6,043	1,416
Plant & Equipment	524	621
Total	7,987	3,526
Northern Lighthouse Board	2006/07	2005/06
	£'000	£'000
Assets in course of construction	904	933
Land & Buildings	278	1,040
Tenders, Ancilliary Craft & Floating Aids	18,100	1,237
Plant & Equipment	618	1,040
Total	19,900	4,250
Trinity House	2006/07	2005/06
	£'000	£'000
Assets in course of construction	157	(6,738)
Land & Buildings	1,098	11,149
Tenders, Ancilliary Craft & Floating Aids	5,354	795
Plant & Equipment	1,038	3,220
Total	7,647	8,426

The Accounts Direction provides that fixed assets shall be stated at historic cost less depreciation. During 2006/07 the GLAs obtained independent valuations of various Headquarters and Depot Buildings. The difference between the open market value and the net book value are as follows:

Assets	GLA	Market Value	NBV	Difference
		£'000	£'000	£'000
Old Harwich Depot	TH	1,950	1,950	-
New Harwich Depot	TH	4,500	10,064	(5,564)
Great Yarmouth Value	TH	395	395	-
Penzance Depot	TH	800	800	-
Swansea Depot	TH	215	442	(227)
Edinburgh Headquarters	NLB	4,020	324	3,696
Oban Depot	NLB	1,015	3,501	(2,486)
Dublin Headquarters	CIL	17,837	44	17,793

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 GLAs evaluated the option of eliminating this exposure. However, it was found that the financial risks were not significant.

The financing arrangements under the lease agreement for the new ship, THV Galatea, means that TH have exposure to interest rate risk, as a result of the Directors decision not to fix the interest rate applicable to the lease, at the present time. The Commissioners of NLB have decided to fix the interest rate applicable to the lease for NLV Pharos at 5.44% for the fifteen-year duration of the lease.

Cash Draw Downs and Liquidity

The three GLAs 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 GLAs withdrew during the year the following:

Commissioners of Irish Lights	£25.7m
Northern Lighthouse Board	£24.6m
Trinity House	£32.2m
	£82.5m

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

Light Dues	£70.1m
Irish Government Contribution	£ 3.9m
	£74.0m

Payment of Creditors Policy

The GLAs 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 GLAs 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 2007 compared to the amount invoiced by the suppliers during the year equated to the following proportion of days.

Trinity House	6 days
Northern Lighthouse Board	18 days
Commissioners of Irish Lights	30 days

Audit

The accounting records of the GLAs and the consolidated General Lighthouse Fund are examined by the UK Comptroller and Auditor General. The accounts are prepared under the terms of the 2006/2007 Government Financial Reporting Manual (FReM) issued by HM Treasury and the accounts direction. 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.

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

Commodore PJ Melson, Trinity House Director of Operations and Asset Management, retired from service in 31 May 2007. Commodore SJ Scorer has been appointed as his replacement.

THV Galatea was delivered on 17 July 2007.

A grant of £394,000 has been awarded from the Heritage Lottery Fund for the redevelopment of part of the Lizard site, converting it into a visitor centre.

A contract for the provision of 'e-loran' coverage was awarded to VT Communications Limited on 31 May 2007.

The Sunk Traffic Separation Scheme was implemented on 30 June 2007.

NLV Pharos was accepted from the shipyard on 23 March 2007 but due to outstanding trials a final payment of £60,000 was not made until 5 April 2007. As a result, the finance lease was not finalised until 5 April 2007. The finalisation of the finance lease has been treated as an adjusting event after the Balance Sheet date and these Accounts have therefore been adjusted to show the creation of the finance lease and corresponding tangible fixed asset of 23rd March 2007.

Guy Platten, Northern Lighthouse Board Director of Marine Operations, tendered his resignation on 8 May 2007.

On 17 July 2007 the Commissioners of Irish Lights completed the sale of their headquarters at 16 Lower Pembroke Street, Dublin.

Authorised For Issue

These Financial Statements are laid before the Houses of Parliament by the Department for Transport. Financial Reporting Standard (FRS) 21 requires the Department to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by the Department to the Houses of Parliament. The authorised date for issue is 28 January 2008.

Robert Devereux
Accounting Officer
17 January 2008

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 2006 - 2007 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 (Retired 20 July 2006)	Non-Executive
P R A Bainbridge	Non-Executive
D A Coltman	Non-Executive
F C Bourne (Appointed 20 July 2006)	Non-Executive

Non Voting Directors

J S Wedge	Director of Finance & Support Services
J Price	Secretary

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 2006/2007 was as follows:-

Law Officers for Scotland

The Rt Hon Colin Boyd QC, The Lord Advocate (Resigned 4 October 2006)
Elish Angiolini QC, The Lord Advocate
John Beckett QC, Solicitor General for Scotland (Appointed 5 October 2006)

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 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
Sheriff Principal James A Taylor - Sheriff Principal of Glasgow and Strathkelvin

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 Alison Magee

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)
Roger Lockwood CB	- Chief Executive (Appointed 1 May 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 2006/2007 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

Mrs Alexandra Bedlow - Secretary to the Board

Ex-officio Commissioners (Representatives of Dublin City Council)

The Lord Mayor Councillor Catherine Byrne (Resigned 25 June 2006)
The Lord Mayor Councillor Vincent Jackson (Appointed 26 June 2006)
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. - (Resigned 31 May 2007)	-Head of Marine
Kieran O'Higgins - (Appointed 1 June 2007)	-Head of Marine
Martin Dyas, F.C.M.A.	-Head of Corporate Services
Tom Elliott - Resigned 31 December 2006)	-Head of Human Resources
John Burke, MSc (IT), BAgrSc (Econ)	-Head of Information & Communication Technology

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) (Retired 20 July 2006)
 D A Coltman
 P Bainbridge (Appointed Chairman from 20 July 2006)
 F C Bourne (Appointed 20 July 2006)

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 in often highly specialist, technical roles.

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 (Audited)

Name	Salary inc	Benefits
	Performance Pay	
	£'000	£
J.M.de Halpert	100-105	-
P.J.Melson	95-100	* 20,799
J.S.Wedge	90-95	2,198
D.C.Glass	80-85	235
W.A.C.Thomson (Retired 20 July 2006)	00-05	362
D.A. Coltman	05-10	1,481
P.R.A.Bainbridge	05-10	1,069
N. R. Pryke	**15-20	701
F C Bourne (Appointed 20 July 2006)	05-10	239

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

	2006/2007	2005/2006
	£*000	£*000
Fees	44	40
Salaries	229	269
Performance Pay	41	41
Benefits in kind	27	43

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.

** N.R Pryke's salary includes payments of £3,480 made by TH on behalf of The Corporate of Trinity House, which were subsequently re-charged.

The Executive Chairman's only emolument is a salary of £104,475 (2005/2006 - £102,235) which included a performance related element of £15,700 (2005/2006 - £16,101).

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 usually for a period of three 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	25th January 2005	24th January 2008
W.A.C.Thomson	01st January 1985	20th July 2006
P.R.A.Bainbridge	22nd July 1997	21st July 2007
D.A.Coltman	23rd October 2001	23rd October 2007
F C Bourne	20th July 2006	19th July 2010

Pensions (Audited)

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 analagous to the Civil Service compensation scheme. Their contracts are ongoing until the age of 65, subject to satisfactory performance.

	1 Real Increase in pension £'000	2 Real Increase in lump sum £'000	3 Accrued Pension £'000	4 Accrued Lump Sum £'000	5 Cash Equivalent Transfer Value at 31 March 2006 £'000	6 Cash Equivalent Transfer Value at 31 March 2007 £'000	7 Real increase in Cash Equivalent Transfer Value £'000
J.M.de Halpert	0 - 2.5	-	7.5-10	-	119	167	38
J.S.Wedge	0 - 2.5	2.5-5	17.5-20	55-57.5	279	309	23
P.J.Melson	0 - 2.5	-	10-12.5	-	212	248	36
D.C.Glass	0 - 2.5	-	10-12.5	-	174	213	29

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 four 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 two 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:

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.

These objectives reflect both the corporate objectives agreed by the Board for NLB as a whole and the personal contribution which can be made by each director.

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 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 (Audited)

	Salary inc Performance Pay £'000	Benefits £'000
J. Taylor (Resigned 30 April 2006)	05-10	-
R. Lockwood (Appointed 1 May 2006)	65-70	-
G. Platten	75-80	-
D. Gorman	75-80	-
M. Waddell	70-75	-

Pensions (Audited)

	1 Real Increase in pension £'000	2 Real Increase in lump sum £'000	3 Total Accrued Pension £'000	4 Total Accrued lump sum £'000	5 Cash Equivalent Transfer Value at 31 March 2006 £'000	6 Cash Equivalent Transfer Value at 31 March 2007 £'000	7 Real increase in Cash Equivalent Transfer Value £'000
J Taylor	0 - 2.5	0 - 2.5	10 - 15	40 - 45	N/A	N/A	N/A
R Lockwood	N/A	N/A	N/A	N/A	N/A	21	N/A
G. Platten	0 - 2.5	-	20 - 25	-	223	237	12
D. Gorman	0 - 2.5	2.5 - 5.0	10 - 15	30 - 35	189	216	22
M. Waddell	0 - 2.5	0.0 - 2.5	20 - 25	45 - 50	261	283	19

Service contracts (Audited)

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 under the arrangements in place for all executive directors and determined by the Remuneration Committee.

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.

The above two payments were approved by HM Treasury.

James Taylor also qualified for payment of a pension of £13,676.68 pa with effect from 1 May 2006 and a lump sum of £41,030.05 under the terms of the Northern Lighthouse Pension Scheme.

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

Remuneration of Commissioners (Audited)**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 £9,228 per annum and were eligible for an additional payment of £462 pro rata for each day exceeding 20 days in the year unless he/she is Chairman when a total fee of £17,460 per annum is payable. The total amount paid in the year, including social security costs, was £67,870 (2005/2006 - £66,207).

Co-opted Commissioners' remuneration is set by the Board as a whole on the advice of the DfT who approved an increase of 2.5% with effect from 1 April 2006.

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	2006/07 £	2005/06 £
Captain George Sutherland	25,488*	9,000
Captain Kenneth Macleod	9,228	9,000
Peter Mackay CB	17,460	17,028
Dr Andrew Cubie	9,228	9,000
Robert Quayle	9,228	9,000
Alistair Whyte	9,228	9,000

*This includes £16,260 for additional work in 2005/2006 & 2006/2007 that has been accrued in these accounts.

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).

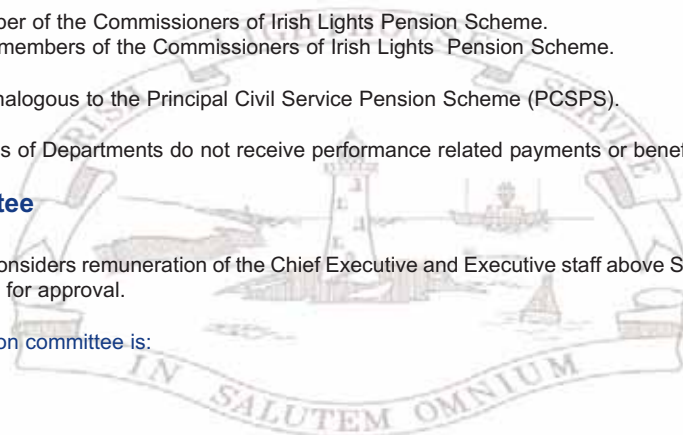
The Chief Executive and Heads of Departments do not receive performance related payments or benefits.

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
M O'Neill



Service Contracts

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

Remuneration of Executive Directors (Audited)

Name	Salary inc Performance Pay £'000
S.G.R.Ruttle	125-130
S. Doyle	90-95
J. J. Hickey	90-95
M. A. Dyas	80-85
T. A. Elliott (Resigned 31 December 2006)	60-65
J. M. Burke	75-80

Pensions (Audited)

	Real Increase in pension from 31 March 2006 £'000	Real Increase in lump sum from 31 March 2006 £'000	Total Accrued Pension at 31 March 2007 £'000	Total Accrued Lump Sum at 31 March 2007 £'000	Cash Equivalent Transfer Value at 31 March 2006 £'000	Cash Equivalent Transfer Value at 31 March 2007 £'000	Real increase in Cash Equivalent Transfer Value £'000
S. G. R. Ruttle	5-7.5	17.5-20	50-55	150-155	988	1,118	129
S. Doyle	0-2.5	5-7.5	25-30	80-85	537	591	54
J. J. Hickey	2.5-5	10-12.5	30-35	100-105	660	744	84
M. A. Dyas	2.5-5	7.5-10	20-25	70-75	458	523	65
T. A. Elliott	0-2.5	7.5-10	40-45	125-130	964	1,044	79
J. M. Burke	0-2.5	-	10-15	-	88	109	21

Redundancy Payment

The post of Head of Human Resources was made redundant on the 31st of December 2006. As a result of a retrospective amendment to the UK Civil Service Compensation Scheme (applied by analogy by CIL) Tom Elliott, the Head of Human Resources at that time received a redundancy settlement of €50,700 (£34,413). This was paid after the 31st of March 2007 and was included in accruals at the year end.

Robert Devereux
Accounting Officer
17 January 2008

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

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 accruals 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, Robert Devereux as Principal Accounting Officer of the Department with effect from 1 May 2007.

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" (now superseded by "Managing Public Money").

Robert Devereux
Accounting Officer
17 January 2008

Statement on Internal Control

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 Fund's 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 2007 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 2006 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 GLAs;
- 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 GLAs, which are reviewed by the respective Boards and the DfT;
- 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 GLAs 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 GLAs. The report includes the ARA's independent opinion on the adequacy and effectiveness of the GLAs' 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 GLAs' 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 GLAs 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 GLAs 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 GLAs through new primary legislation.

Robert Devereux
Accounting Officer
17 January 2008

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

I certify that I have audited the financial statements of The General Lighthouse Fund for the year ended 31 March 2007 under the Merchant Shipping Act 1995. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the General Lighthouse Authorities' Boards, Secretary of State for Transport, Accounting Officer and auditor

The Department for Transport 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 Department for Transport directions made thereunder 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 and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Merchant Shipping Act 1995 and Department for Transport directions made thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Management Commentary, the Constitutions of the General Lighthouse Authorities and their board members and the Remuneration Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if 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 HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the General Lighthouse Fund's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of 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. 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 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

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Merchant Shipping Act 1995 and Department for Transport directions made thereunder, of the state of the General Lighthouse Fund's affairs as at 31 March 2007 and of its surplus 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 Department for Transport directions made thereunder; and
- information given within the Annual Report, which comprises the Management Commentary, the Constitutions of the General Lighthouse Authorities and their board members and the Remuneration Report, is consistent with the financial statements.

Audit Opinion on Regularity

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

Report

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
22 January 2008

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2007

	Notes	2006/2007 £'000	2005/2006 £'000
Income :			
Light Dues	2	70,062	74,602
Other operating income	3	2,434	1,704
Irish Government contribution	4	3,937	3,728
Grant income	1m	180	28
		<u>76,613</u>	<u>80,062</u>
Expenditure :			
Staff costs	5a	27,000	26,240
Pensions	5b	5,399	4,240
Amortisation	10	230	124
Depreciation	11	10,096	11,455
Other operating costs	7b	23,362	25,059
Total Operating costs	7a	<u>66,087</u>	<u>67,118</u>
Operating surplus		10,526	12,944
Notional credit on capital	1k	5,051	3,994
Interest on pension scheme liability	23	(18,195)	(16,490)
Gain on sale of fixed assets	11	80	207
Income from listed investments		1,888	2,105
Gain on sale of listed investments		5,843	998
Other interest receivable	8	1,087	914
Interest payable	9	(1,102)	(1,351)
		<u>(5,348)</u>	<u>(9,623)</u>
Net operating surplus		<u>5,178</u>	<u>3,321</u>
Reversal of notional credit on capital	1k	(5,051)	(3,994)
Surplus / (deficit) for the financial year		<u>127</u>	<u>(673)</u>

All results are due to continuing activities

Statement of total recognised gains and losses

	2006/2007 £'000	2005/2006 £'000
Surplus / (deficit) for financial year	127	(673)
Unrealised surplus on Investments	(4,181)	11,110
Unrealised gain on revaluation of surplus property	466	1,575
Actuarial loss	(31,969)	(40,390)
Net pension transfers	54	(278)
Total recognised loss for the year	<u>(35,503)</u>	<u>(28,656)</u>

BALANCE SHEET

as at 31 March 2007

	Notes	2006/2007 £'000	2005/2006 £'000
Fixed Assets :			
Intangible assets	10	549	487
Tangible assets	11	125,739	103,675
Investments assets	12	970	1,095
Long term debtors	27	300	320
Current Assets :			
Stocks	13	2,059	2,049
Debtors	14	7,570	7,517
Investments	15	77,093	74,047
Cash at bank and in hand	16	19,906	27,565
		106,628	111,178
Creditors : amounts falling due within one year	17	(10,101)	(16,661)
Net current assets		96,527	94,517
Total assets less current liabilities		224,085	200,094
Creditors: amounts falling due after more than one year	18	(34,768)	(16,477)
Provisions for liabilities and charges	22	(3,499)	(4,818)
Net assets excluding pension liabilities		185,818	178,799
Pension liabilities	23	(347,838)	(305,430)
Net liabilities		(162,020)	(126,631)
Financed by			
Reserves			
Accumulated Reserve	24	(177,541)	(145,699)
Revaluation Reserve	24	11,412	15,126
Capital Grant Reserve	24	190	207
Government Grant Reserve	1m, 24	3,919	3,735
Total		(162,020)	(126,631)

Robert Devereux
Accounting Officer
17 January 2008

CASH FLOW STATEMENT for the year ended 31 March 2007

	Notes	2006/2007 £'000	2005/2006 £'000
Net cash inflow from operating activities	a	11,767	13,852
Return on investments and servicing of finance	b	1,664	1,619
Capital Expenditure	c	(32,171)	(13,620)
Management of liquid resources	d	(1,384)	(70)
Financing	e	(9,155)	(882)
New Finance Lease		21,789	759
Exchange Difference		(169)	1,012
(Decrease) / Increase in cash		(7,659)	2,670
Reconciliation of net cash (out) / in flow to movement in net funds / (debt)			
(Decrease) / increase in cash		(7,659)	2,670
Cash outflow from lease financing		9,322	2,524
		1,663	5,194
New Finance Lease		(21,789)	(759)
Translation of Euro denominated lease		169	-
Net cash at 1 April 2006		2,040	(2,395)
Net debt at 31 March 2007		(17,917)	2,040

Notes to the cash flow statement**Note a****Reconciliation of operating surplus to net cash flow in from operating activities**

Operating Surplus	10,526	12,944
Net pension expenditure	(13,113)	(11,844)
Current service cost	5,357	4,264
Amortisation	230	124
Depreciation	10,096	11,455
(Increase) / Decrease in stock	(10)	91
Increase in debtors	(66)	(692)
Decrease in creditors	(424)	(344)
Decrease in provisions	(829)	(2,146)
Net cash in flow from operating activities	11,767	13,852

Note b**Return on investments and servicing of finance**

Interest received	2,976	3,006
Interest paid	(1,312)	(1,387)
	1,664	1,619

Note c**Capital Expenditure**

Payments to acquire intangible fixed assets	(209)	(131)
Payments to acquire tangible fixed assets	(35,454)	(15,164)
Receipts from sale of tangible fixed assets	3,472	1,545
Movements in Trinitas investments	20	130
	(32,171)	(13,620)

Note d**Management of liquid resources**

Purchase of investments	(64,692)	(9,759)
Sale proceeds from investments	63,308	9,689
	(1,384)	(70)

Note e**Financing**

Capital element of finance lease rentals	(9,322)	(2,524)
Movement in Government Grant Reserves	183	1,656
Movement in Capital Grant Reserves	(16)	(14)
	(9,155)	(882)

Analysis of the changes in net debt	2005/2006 £'000	Forex £'000	Non Cash £000	Cash Flow £000	2006/2007 £000
Cash at bank	27,565	-	-	(7,659)	19,906
Finance leases	(25,525)	169	(21,789)	9,322	(37,823)
Net debt at 31 March 2007	2,040	169	(21,789)	1,663	(17,917)

Notes to the accounts for the year ended 31 March 2007

1. Accounting Policies

a) Accounting Convention

These accounts have been prepared in accordance with the 2006/2007 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 2007 shows net liabilities of £162,020,000. 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
Land & Buildings		Plant and Machinery	
Land	Not Depreciated	Lighthouses and Lightvessels	15 years
Lighthouses (Building structure)	50 years	Automation equipment	15 years
Lighthouse improvements	25 years	Racones & Radio beacons	15 years
Other buildings	50 years	Depots & Workshops	10 years
Tenders and Ancillary Craft		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.)
Lightvessels			
Lightvessel (hulls)	50 years		
Lightvessel (hull conversions)	15 years		
Lightvessel (Dry dock and repair)	5 years		
Lanbys	25 years		
Buoys and Beacons			
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. Direct expenditure incurred via this channel or any other research and development activity is charged to the Income and Expenditure Account as incurred.

h) 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.

i) 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.

j) 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.

k) Notional Credit on Capital

The Income and Expenditure Account includes a notional credit on 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.

l) Irish Government Grant - Loran C

During the year 2006-07 a grant of €4,150 (£3,224) was received from the Department of Transport and the Marine in respect of the Loran-C Capital Project. The total advances were €1,260,344 (£855,457) at 31 March 2007.

m) Government Grants

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

Grants received in respect of capital expenditure on assets that are depreciated are credited to either the 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 open market value each year.

Open market valuations have been completed in March 2007 at each of these properties by Graham & Sibbald, 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 £3.1m (2005/2006 £3.2m) light dues collected in the Republic of Ireland.

3. Other Operating Income

	TH	NLB	CIL	GLF	2006/2007	2005/2006
	£'000	£'000	£'000	£'000	£'000	£'000
Rentals						
Property	135	21	193	-	349	240
Buoys	268	104	49	-	421	307
Other Commercial Income	-	495	-	-	495	46
Tenders	103	-	224	-	327	466
Tri GLA Research & Radio Navigation income	141	-	-	-	141	133
Sundry receipts	553	78	30	40	701	512
	1,200	698	496	40	2,434	1,704

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 2006/2007 falls due in January 2008. 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

	TH	NLB	CIL	2006/2007	2005/2006
	£'000	£'000	£'000	£'000	£'000
Wages & Salaries	10,368	6,510	7,886	24,763	24,599
Social Security costs	905	513	584	2,002	1,928
Redundancy	1,065	-	34	1,100	363
Annual Compensation Payments	(230)	(16)	(11)	(257)	(236)
Total staff costs	12,108	7,007	8,493	27,608	26,654
Costs capitalised in fixed assets	(155)	(19)	(434)	(608)	(414)
Charged to Income and Expenditure account	11,953	6,988	8,059	27,000	26,240

b) Pension Costs

	TH	NLB	CIL	2006/2007	2005/2006
	£'000	£'000	£'000	£'000	£'000
Operating costs	1,927	1,456	1,880	5,263	4,216
Employers contribution to other pension schemes	12	97	27	136	24
Total	1,939	1,553	1,907	5,399	4,240

c) The Average Monthly Number Of Employees During The Year

	TH	NLB	CIL	2006/2007	2005/2006
				£'000	£'000
Lighthouse Attendants*	-	67	73	140	146
Light Floats	-	-	4	4	4
Tenders	113	68	32	213	221
Depots & Workshops	189	41	77	307	323
Head Office	29	96	69	194	192
Coast Tradesmen	-	-	23	23	23
Total	331	272	278	881	909
Part time staff included in above*	10	78	87	175	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 does not include temporary staff. The number of temporary staff employed, expressed as Full-Time Equivalents, was as follows:

	<i>TH</i>	<i>NLB</i>	<i>CIL</i>	<i>2006/2007</i> £'000	<i>2005/2006</i> £'000
Temporary Staff	10.5	4.8	8.5	23.8	29.8

6. Operating Surplus

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

	<i>TH</i> £'000	<i>NLB</i> £'000	<i>CIL</i> £'000	<i>2006/2007</i> £'000	<i>2005/2006</i> £'000
Vehicles	-	58	20	78	46
Helicopters	375	420	486	1,281	1,005
Land & Buildings	78	-	34	112	88
Boat Hire	339	-	-	339	325
	792	478	540	1,810	1,464

7a). Total Operating Costs

	<i>TH</i> £'000	<i>NLB</i> £'000	<i>CIL</i> £'000	<i>2006/2007</i> £'000	<i>2005/2006</i> £'000
Lighthouses	2,341	2,092	3,869	8,302	7,966
Lightvessels	213	-	100	313	391
Buoys and Beacons	1,562	33	386	1,981	1,745
Heliports	6	-	-	6	17
Lanbys	-	-	143	143	185
Tenders	6,611	3612	1,868	12,091	12,285
Depots & Workshops	8,495	2,129	2,587	13,211	13,100
Head Office	1,819	5,006	4,006	10,831	10,855
Stores write off	5	-	-	5	52
Salary Costs capitalised	-	-	434	434	348
Redundancy	1,065	-	34	1,099	572
Running Costs	22,177	12,872	13,427	48,416	47,516
Depreciation	4,192	4,032	1,872	10,096	11,455
Amortisation	105	90	35	230	124
Pension costs	1,709	1,537	1,907	5,153	4,317
NLB - Penalty for Early Termination MV Pharos Lease	-	190	-	190	38
NLB - Provision for liabilities and charges	-	-	-	-	(502)
Capitalised pay excluded from operating costs	(155)	(19)	(434)	(608)	(348)
NLB - Other	-	14	-	14	7
Refinancing costs	-	-	-	-	10
Total	27,968	18,716	16,807	63,491	62,617
GLF Costs					
Fund management				328	162
Light dues collection costs				628	631
Lighthouses abroad (Pension costs)				14	15
Research & development				555	448
AIS Study				-	195
Special Sanctioned R&D ie Galileo & eloran				802	827
Sombrero				2	3
Administration expenses of the Secretary of State				178	169
Actuarial valuation				29	55
Provision for bad debts				85	(3)
Audit fee				127	133
Loss on foreign exchange translation				(225)	1,798
Other costs				73	68
Total				66,087	67,118

7b). Other Operating Costs

	<i>TH</i> £'000	<i>NLB</i> £'000	<i>CIL</i> £'000	<i>GLF</i> £'000	2006/2007 £'000	2005/2006 £'000
Communications	500	355	213	-	1,068	1,131
Services & Energy	2,725	901	973	-	4,599	4,003
Travel & Subsistence	875	1,001	964	-	2,840	3,134
Helicopter Costs	626	775	762	-	2,163	1,818
Premises, Repairs & Maintenance	1,365	1,283	941	-	3,589	3,761
Ship & Boat Costs	2,368	805	1,080	-	4,253	4,404
Others	2,002	933	-	1,914	4,849	6,808
Total	10,461	6,053	4,934	1,914	23,362	25,059

8). Interest Receivable

	<i>TH</i> £'000	<i>NLB</i> £'000	<i>CIL</i> £'000	<i>GLF</i> £'000	2006/2007 £'000	2005/2006 £'000
	40	19	-	1,028	1,087	914

9). Interest Payable on Finance Leases for:

<i>THV Mermaid</i> £'000	<i>THV Alert</i> £'000	<i>MV Pole Star</i> £'000	<i>ILV Granuaile</i> £'000	2006/2007 £'000	2005/2006 £'000
4	310	391	397	1,102	1,351

10). Intangible Fixed Assets

	<i>Intangible Software</i> £'000	<i>Intangible Licences</i> £'000	<i>Total</i> £'000
Costs			
Balance at 01/04/06	1,115	-	1,115
Additions	59	150	209
Transfers	83	-	83
Disposals	(101)	-	(101)
Balance at 31/03/07	1,156	150	1,306
Amortisation			
Balance at 01/04/06	628	-	628
Provided during the year	225	5	230
Disposals	(101)	-	(101)
Balance at 31/03/07	752	5	757
Net book value			
at 01/04/06	487	-	487
at 31/03/07	404	145	549

11). Tangible Fixed Assets

	Land & Buildings Ongoing	Land & Buildings Surplus	Light Vessels / Lanbys	Tenders Ancillary & Craft	Buoys & Beacons	Plant & Equipment	IT Equipment	Assets in the Course of construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Costs									
Balance at 01/04/06	46,760	2,657	9,184	64,513	9,475	65,104	2,954	8,259	208,906
Additions	278	-	117	17,945	1,024	1,224	111	14,835	35,534
Revaluation	-	(20)	-	-	-	-	-	-	(20)
Disposals	(393)	-	-	(14,498)	(29)	(662)	(103)	-	(15,685)
Transfers	1,230	-	-	4,618	280	1,633	38	(8,068)	(269)
Balance at 31/03/07	47,875	2,637	9,301	72,578	10,750	67,299	3,000	15,026	228,466
Depreciation									
Balance at 01/04/06	14,380	351	7,527	37,854	4,548	38,747	1,824	-	105,231
Provided during the year	1,407	10	546	3,822	546	3,387	378	-	10,096
Revaluation	-	(302)	-	-	-	-	-	-	(302)
Disposals	(190)	-	-	(11,421)	(14)	(667)	-	-	(12,292)
Transfers	(6)	-	-	-	-	-	-	-	6
Balance at 31/03/07	15,591	59	8,073	30,255	5,080	41,467	2,202	-	102,727
Net book value at 01/04/06	32,380	2,306	1,657	26,659	4,927	26,357	1,130	8,259	103,675
Net book value at 31/03/07	32,284	2,578	1,228	42,323	5,670	25,832	798	15,026	125,739

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
Depreciation charged for the year	1,263	341	569	2,173
Net book value at 31st March 2007	6,377	24,202	10,157	40,736

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.

Northern Lighthouse Board Commissioners also own antiques that have been revalued at £603,000 at 14th December 2003. Further information is given in Note 24 - 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 in 2005/06 and were revalued at Open Market Value in that year. These values have been reviewed as at March 2006/07 resulting in revaluation of the Miranda Building to £600,000 (2005/06 £700,000), and West Street and Church Street remaining the same at £250,000 and £300,000 respectively.

The Mermaid Building, which also formed part of the old Harwich offices, became surplus during the year and has been revalued at Open Market Value of £800,000.

The Penzance Depot became surplus in 2004/05 and was revalued in that year at Open Market Value. The valuation has been reviewed as at 31st March 2007 resulting in a revaluation to £800,000 (2005/06 £750,000).

The Gt Yarmouth Depot became surplus in 2004/05. The major repairs to the Sea Wall were completed during this year and the property has been revalued in 2006/07 at Open Market Value £395,000.

The valuations for all properties were carried out externally by Mr P. Lidgley BSc (Hons) MRICS on behalf of Erinaceous Property Services Ltd, consultant surveyors as at 1st April 2007, in accordance with the Practise Statements and Guidance Notes set out in the RICS Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors. The Gt Yarmouth valuation is a full valuation as at 1st April 2007, all other valuations are based on reviews of earlier reports by the same company dated 3rd May 2002, 28th June 2005 and 16th May 2006, which provide full valuations for each site as at the following dates:

Property	Date of Last Full Valuation
The Miranda Building and Mermaid Building	1st February 2006
35/36 West Street and 7 Church Street	12th July 2005
The Penzance Depot	1st April 2005

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

	2006/2007 Penzance £'000	2006/2007 Miranda £'000	2006/2007 West Street £'000	2006/2007 Church Street £'000	2006/2007 Mermaid £'000	2006/2007 Gt Yarmouth £'000
Cost	5	75	37	1	501	99
Depreciation	(4)	(55)	(36)	-	(216)	(85)
Net book value	1	20	1	1	285	14

	2005/2006 Penzance £'000	2005/2006 Miranda £'000	2005/2006 West Street £'000	2005/2006 Church Street £'000	2005/2006 Mermaid £'000	2005/2006 Gt Yarmouth £'000
Cost	5	75	37	1	501	99
Depreciation	(4)	(53)	(36)	-	(215)	(85)
Net book value	1	22	1	1	286	14

Lighthouse Cottages

Trinity House (TH) own 39 cottages of which 37 are currently leased to Trinitas Services Limited. 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.

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.

The Commissioners of Irish Lights (CIL) currently have six dwellings leased to the Irish Landmark Trust. With the automation of the lighthouses CIL disposed of a number of stand alone dwellings but retained those which were attached to or formed part of a lighthouse complex. It is considered that these dwellings which have been retained are "day markers" or are necessary to retain for future operational requirements of the site i.e. 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.

Gain On Sale Of Fixed Assets

A gain on sale of fixed assets of £80,000 was made during the year. This relates mainly to the disposal of property at Holburn Head and Barns Ness and reduced by losses on the disposal of THL Ready and the demolition of some buildings at Dun Laoghaire depot.

Assets in the course of construction have been funded as follows:

	31/03/2007 £'000	31/03/2006 £'000
CIL Loran C	855	972
CIL DGPS	7	8
EU Interreg Grant - AIS equipment	677	573
TH EEDA	2,380	2,182
	3,919	3,735

12). Investment Assets

	Holiday Cottages £'000
As at 1 April 2006	1095
Transfer	186
Revaluations	(6)
Write Downs	(305)
Total as at 31 March 2007	970

Holiday cottages are shown at open market valuation (see note 1(o))

13). Stocks

	TH £'000	NLB £'000	CIL £'000	31/03/2007 £'000	31/03/2006 £'000
Total	1,108	518	433	2,059	2,049

14). Debtors

	TH £'000	NLB £'000	CIL £'000	GLF £'000	31/03/07 £'000	31/03/06 £'000
Trade debtors	246	81	64	4,500	4,891	5,062
Other debtors	614	-	185	-	799	720
Prepayments and accrued income	291	579	137	254	1,261	1,197
VAT recoverable	164	94	361	-	619	538
	<u>1,315</u>	<u>754</u>	<u>747</u>	<u>4,754</u>	<u>7,570</u>	<u>7,517</u>

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

	TH £'000	NLB £'000	CIL £'000	31/03/07 £'000	31/03/06 £'000
Central Government	164	106	-	270	176
NHS Trusts	-	-	-	-	-
Local Authorities	-	2	-	2	2
Public Corporations	14	3	-	17	9
	<u>178</u>	<u>111</u>	<u>-</u>	<u>289</u>	<u>187</u>

15). Investments

	BG £'000	MC £'000	MSQ £'000	HSBC £'000	Total £'000
Cost	-	-	26,385	35,599	61,984
01/04/2006	-	-	-	-	-
Additions	26,742	36,619	-	1,330	64,692
Transfers	26,051	20,020	(26,051)	(20,020)	-
Disposals	(24,243)	(15,979)	(334)	(16,909)	(57,465)
31/03/2007	<u>28,550</u>	<u>40,660</u>	<u>-</u>	<u>-</u>	<u>69,210</u>

All Investments are listed and managed by Baillie Gifford & Co. (BG) and Martin Currie Assets Management Ltd. (MC).

In addition, cash is held by HSBC Liquidity Funds comprising £13.2m Sterling cash reserve, £0.5m, Euro cash reserve, Baillie Gifford of £0.5m and Martin Currie of £1.3m, totalling £15.7m (31/03/06 £23.1m).

The capital accounts are included as cash in the balance sheet and are used as capital reserves for investments.

The market value of the investments are as follows:

	BG £'000	MC £'000	31/03/2007 £'000	31/03/2006 £'000
Government securities	4,720	4,590	9,310	5,895
Equities	<u>27,786</u>	<u>39,997</u>	<u>67,783</u>	<u>68,152</u>
	<u>32,506</u>	<u>44,587</u>	<u>77,093</u>	<u>74,047</u>

The movement in revaluation reserve is reflected in note 24.

16). Cash at Bank and in Hand

	31/03/2007 £'000	31/03/2006 £'000
Balance at 1 April 2006	27,565	24,895
Net Changes in Cash Balances	(7,659)	2,670
Balance at 31 March 2007	<u>19,906</u>	<u>27,565</u>
Represented by cash held by the following:		
Commissioners for Irish Lights	371	354
General Lighthouse Fund	15,656	23,118
Northern Lighthouse Board	1,025	321
Trinity House	266	1,060
Trinity House Light Dues	2,588	2,712
Balance at 31 March 2007	<u>19,906</u>	<u>27,565</u>

17). Creditors: Amounts falling due within one year

	TH £'000	NLB £'000	CIL £'000	GLF £'000	31/03/07 £'000	31/03/06 £'000
Trade creditors	1,556	722	1,498	-	3,776	3,344
Other creditors	98	12	41	-	151	199
Taxes and social security costs	355	185	212	-	752	780
Accruals	867	238	1,130	93	2,328	2,823
Termination payment on MV Pharos	-	-	-	-	-	7,244
Obligations under finance leases	716	1,484	880	-	3,080	2,271
Bank Overdraft	-	-	-	14	14	-
	<u>3,592</u>	<u>2,641</u>	<u>3,761</u>	<u>107</u>	<u>10,101</u>	<u>16,661</u>

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

	TH £'000	NLB £'000	CIL £'000	31/03/07 £'000	31/03/06 £'000
Central Government	380	204	15	599	576
NHS Trusts	-	-	-	-	-
Local Authorities	-	-	-	-	-
Public Corporations	-	69	-	69	72
Total	380	273	15	668	648

18). Creditors: Amounts falling due after more than one year

	TH £'000	NLB £'000	CIL £'000	31/03/07 £'000	31/03/06 £'000
Obligations under finance leases (note 19)	3,860	23,473	7,412	34,745	16,441
Other creditors	-	-	23	23	36
	3,860	23,473	7,435	34,768	16,477

19). Obligations under Finance Leases

Amounts payable:	TH £'000	NLB £'000	CIL £'000	31/03/07 £'000	31/03/06 £'000
Within one year	716	1,484	880	3,080	2,271
In one to two years	225	1,075	920	2,220	1,663
In two to five years	737	3,589	3,025	7,351	3,831
Over five years	2,898	18,809	3,465	25,172	10,947
	4,576	24,957	8,290	37,823	18,712

All these obligations are for finance leases for the five GLA ships. The main details of these leases are as follows:

Trinity House vessels:

	THV Mermaid	RIV Alert
Length of lease	20 years	15 years
Year commenced	1987	2006
Outstanding lease period	Less than one year	14 years
Frequency of payments	1/2 yearly	1/2 yearly
Interest is based on LIBOR rate.		
Average rate charged 2006/2007	4.73%	4.83%
Average rate charged 2005/2006	4.99%	N/A

The Northern Lighthouse Board vessels:

	NLV Pharos	NLV Pole Star
Length of lease	15 years	25 years
Year commenced	2007	2000
Outstanding lease period	15 years	19 years
Frequency of payments	1/2 yearly	1/2 yearly
Interest is based on LIBOR rate.		
Average rate charged 2006/2007	5.44%	5.14%
Average rate charged 2005/2006	N/A	5.14%

The Commissioners of Irish Lights vessel:

	ILV Granuaile
Length of lease	15 years
Year commenced	1999
Outstanding lease period	8 years
Frequency of payments	1/2 yearly
Interest is based on LIBOR rate.	
Average rate charged 2006/2007	4.59%
Average rate charged 2005/2006	4.59%

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

20). Obligations under Operating Leases

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

	TH £'000	NLB £'000	CIL £'000	31/03/07 £'000	31/03/06 £'000
Leases expiring					
<i>Within one year</i>					
Land & Buildings	-	5	-	5	9
Other	87	14	-	101	90
	87	19	-	106	99

	TH £'000	NLB £'000	CIL £'000	31/03/07 £'000	31/03/06 £'000
<i>Within two to five years</i>					
Land & Buildings	7	12	-	19	389
Other	392	546	409	1,347	483
	399	558	409	1,366	872
<i>After five years</i>					
Land & Buildings	62	8	2,486	2,556	2,558
Other	-	-	-	-	924
	62	8	2,486	2,556	3,582

21). Capital Commitments

	TH £'000	NLB £'000	CIL £'000	31/03/07 £'000	31/03/06 £'000
Amounts contracted for but not provided in the accounts	1,007	279	6,024	7,310	13,588

22). Movement in Provisions for Liabilities and Charges

	Provision for Yarmouth depot repairs £'000 (i)	ACP £'000 (ii)	Restructuring Provision £'000 (iii)	MNOPF £'000 (iv)	Republic of Ireland Contribution £'000 (v)	Ship Staff Redundancies £'000 (vi)	Total £'000
Opening balance as at 1 April 2006	541	1,376	1,915	45	941	-	4,818
Charged in I & E on ordinary activities	-	(230)	-	127	-	743	640
Provisions utilised during the year	(541)	(283)	(1,059)	-	-	-	(1,883)
Transfer	-	131	(131)	-	-	-	-
Provisions not utilised and written back	-	(16)	(23)	(10)	-	-	(49)
Foreign exchange translation	-	-	-	-	(26)	-	(26)
Provision at 31 March 2007	-	978	702	162	915	743	3,499

The General Lighthouse Fund has provided for

- i) Yarmouth Depot - Repairs required to the sea wall of the Yarmouth Depot site. The repairs totalling £575,442 have been carried out and completed during the year. This expenditure has been treated as capital expenditure and capitalised in full during the year. The property is considered to be a surplus asset as it is no longer required for operational use. A full valuation of the Gt Yarmouth Depot was undertaken as at 1st April 2007 (see note 24, revalued assets) and revalued at year end at open market value, resulting in a loss on revaluation of £489,568 on the leased part of the property and a gain of £306,163 on the owned part of the property. In accordance with accounting standard FRS15 Tangible Fixed Assets, the revaluation gain has been held in a Revaluation Reserve (see note 11) and the revaluation loss has been recognised in the Income and Expenditure Account. The provision has been released in full to the Income and Expenditure account within operating costs. The revaluation loss is also within operating costs so as not to distort the true operating costs for the year. The impact on the operating costs of the revaluation loss and the release of the provision is a credit of £52k.
- 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.
- vi) Ship Staff Redundancies - the estimated redundancy costs as a result of the introduction of THV Galatea. It is expected that 11% of the provision will be incurred in 2007/08, 52% in 2008/09 and the balance evenly spread over the following 14 years.

23). 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 £7,466 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 GLAs have 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 £74.4m. The estimated liability for pensions in payment and deferred pensions of former employees of the General Lighthouse Fund was £200.9m. 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	3.20%	3.20%	3.20%
Salary Growth	4.20%	4.20%	4.20%
Pre-retirement Investment return	5.00%	5.00%	5.00%
Rate of Increase to pensions in deferment	3.20%	3.20%	3.95%

The actuary's updated estimate of the liability of ACPs at 31 March 2007 is £978,000.

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

	31/03/2007 £'000	31/03/2006 £'000
Active members	102,899	90,402
Deferred pensioners	55,802	43,042
Pensioners	189,137	171,986
Total liability at projected unit method	347,838	305,430
	£'000	£'000
Scheme liability at 31 March 2006		£'000
Current service cost		5,357
Curtailment Losses		-
Interest on pension scheme liability		18,195
Benefits payable		23,552
Pensions or annuities to retired employees and dependants	(12,232)	
Commutations and lump sum benefits:		
On retirement	(1,095)	
On early retirement	(106)	
On death	(44)	
Injury benefits	(447)	
		(13,924)
Pension payments to and on account of leavers		
Refunds to members leaving service	(1)	
Group transfers to other schemes	-	
Individual transfers to other schemes	(37)	
Club Transfers	(65)	
		(103)
		(14,027)
Income received in respect of enhancements		
Employees:	249	
Purchase of added years	461	
WPS contributions		
Employers:		
Bringing forward the payment of accrued lump sums	-	
Enhancement to pensions on departure	-	
Enhancement to pensions on retirement	-	
		710
Pensions transfers in		
Group transfers in from other schemes	-	
Individual transfers in from other schemes	193	
Club Transfers	11	
		204
		914
Actuarial gains and losses		
Experience arising on scheme liabilities	(1,206)	
Changes in assumptions underlying the present value of Scheme liabilities	36,268	
Impact of change in exchange rate	(3,093)	
		31,969
		<u>31,969</u>
		<u>347,838</u>
Scheme liability at 31 March 2007		
Opening balance		305,430
Closing balance		347,838
		42,408
Operating cost		5,357
Financing cost		18,195
Net benefit outgo		(13,113)
Statement of recognised gains and losses		31,969
		42,408

	31/03/2007	31/03/2006	31/03/2005
Experience Gains and Losses on Scheme Liabilities			
Amount	(1,206)	2,223	(4,050)
Percentage of the present value of Scheme Liabilities	0.3%	(0.7%)	1.6%
Total Amount Recognised in statement of total recognised gains and losses			
Amount	(31,969)	(40,391)	(4,801)
Percentage of the present value of Scheme Liabilities	(9.2%)	(13.2%)	(1.9%)

The DfT has reported the contingent liability for the General Lighthouse Authorities' pensions for inclusion in the Consolidated Fund and National Loans Fund accounts for 2006/2007 and a liability of £347.8m 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 GLAs 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 GLAs 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, 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 £162,000 and the estimate was based on liability estimates provided by the MNOFF.

24). Reserve Movements

a) Accumulated Reserve	Accumulated Reserve £'000	Revaluation £'000	Govt. Grant £'000	Capital Grant £'000	Total £'000
Opening balance as at 1 April 2006	(145,699)	15,126	3,735	207	(126,631)
Added during the year	-	(3,714)	184	-	(3,530)
Actuarial Loss	(31,969)	-	-	-	(31,969)
Transfer from / to Income & expenditure account	127	-	-	(17)	110
Closing Balance as at 31 March 2007	(177,541)	11,412	3,919	190	(162,020)

The balance on the Accumulated Reserve is analysed as follows:

	31/03/2007 £'000	31/03/2006 £'000
Accumulated Reserve excluding pension liability	170,295	159,731
Pension Liability	(347,836)	(305,430)
Accumulated Reserve	(177,541)	(145,699)

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

	31/03/2007	31/03/2006
UK Government Grants	2,380	2,182
Republic of Ireland Government Grants	1,024	1,115
European Union Grants	515	438
Government Reserve	3,919	3,735

25). 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.

26). 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 2005/2006 and 2006/2007. 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 GLAs operate in extra territorial waters. To the best of their knowledge they have no contingent liabilities in respect of these activities.

27). 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, nor 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 (TSL), a wholly owned subsidiary of the Corporation. The agreement provides for some 34 lighthouse cottages at 14 locations to be leased to TSL for 25 years. TSL 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.

During the year TH refurbished a further 6 lighthouse cottages at the Lizard, and entered into an agreement to lease them to TSL for 20 years commencing February 2002, with an effective possession date of 14th December 2006. TSL has entered into a contract with Mullion Cottages to let them as holiday cottages.

The investment in bringing the original cottages and the Lizard cottages to material state together with the legal costs of the agreement is in the order of £990,000.

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 TSL up to £1,000,000. The maximum amount which had been drawn down was £600,000. At the Balance Sheet date £300,000 remained outstanding. The loan has a fixed interest rate of 5% payable after three years.

Captain N R Pryke, a Non-Executive Director of TH has been appointed to the Board of TSL as nominee of TH, and Rear Admiral J M de Halpert, Executive Chairman, TH, became shareholder of TSL 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 TH. TH reimburses the Corporation for service charges in proportion to the floor area occupied. During 2006/07 THLS paid £240,588 to The Corporation of Trinity House in respect of service charges incurred in using office space and facilities at Trinity House, London (£214,544 in 2005/06).

Conversely, the Corporation of Trinity House reimburses TH for the provision of services during the year. The Corporation paid £38,107 to TH in respect of these services during the year (£43,387 in 2005/06).

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 2006/07 the project was deemed complete for EEDA purposes and TH received the final grant funding of £250,000 from EEDA (£1,148,507 in 2005/06)

Heritage Lottery Fund

In accordance with the accounts direction the Heritage lottery Fund (HLF) is deemed to be a related party of TH since both organisations are sponsored by government departments.

TH were awarded two project planning grants for feasibility studies as follows:

Blackwall Museum: A 70% revenue grant up to a maximum of £50,000 eligible costs has been awarded against a feasibility study to determine the viability of developing a TH Collection Museum at Blackwall. £25,000 has been received with the balance due on completion of the study. Certain conditions are attached to the grant that may mean it is repayable if the the study is not completed.

Lizard Heritage Centre: A 70% revenue grant was awarded to determine the viability of developing a Heritage Centre at the existing TH Lighthouse facility at the Lizard. This has been completed and a grant of £38,000 has been received in full.

As at 31st March 2007 TH had received grant funding of £63,006 from the Heritage Lottery Fund.

Environment Agency Grant

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

The EA made a contribution to the Gt Yarmouth seawall repairs to incorporate additional work beyond the scope of the original remit. There are no conditions attached to the grant, the work is now fully completed and the contribution has been received in full.

As at 31st March 2007 TH had received grant funding of £90,000 from the Environment Agency.

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 11 to the accounts.

28). Post Balance Sheet Events

The post balance sheet events are covered in the management commentary to the accounts (page 18)

29). 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 interest rate for the finance lease for the RIV Alert was fixed on 9th August 2006 and therefore exposes no 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 Limited 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 2007 is £0.5M.

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 2007.

	<i>Book value</i> £'000	<i>Fair Value</i> £'000
Financial Assets		
Investments	69,212	77,093
Cash at bank and in hand	19,905	19,741
Bank Guarantees	225	225
Loan to Trinitas Services Ltd	300	300
Financial Liabilities		
Finance lease obligations	37,826	37,790

30). 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 2007 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.

31). Further Information

a)	Number of fixed assets:	TH	NLB	CIL	31/03/2007	31/03/2006
	Lighthouses	70	216	81	367	362
	Lightvessels	12	-	3	15	15
	Lightfloats	2	-	-	2	2
	Lanby Buoys	-	-	3	3	3
	Buoys & Beacons	626	254	292	1,172	1,132
	Tenders & Ancillary Craft	13	2	2	17	17
	Lighthouses abroad	1	-	-	1	1
		724	472	381	1,577	1,532
b)	Number of Fixed Assets deployed:	TH	NLB	CIL	31/03/2007	31/03/2006
	Lighthouses	69	216	80	365	360
	Lightvessels	8	-	2	10	11
	Lightfloats	2	-	-	2	2
	Lanby Buoys	-	-	2	2	2
	Buoys & Beacons	559	195	196	950	911
	Tenders & Ancillary Craft	12	2	2	16	10
	Lighthouses abroad	2	-	-	2	2
		652	413	282	1,347	1,298

Five Year Summary

	2007	2006	2005	Restated 2004	Restated 2003
Light Dues and Irish Income	70,062	74,602	71,123	74,663	74,096
Other Income	6,551	5,460	5,390	4,166	829
	76,613	80,062	76,513	78,829	74,925
Staff Costs	(27,000)	(26,240)	(28,401)	(26,527)	(24,053)
Pensions	(5,399)	(4,240)	(5,124)	(5,056)	(3,175)
Amortisation of Intangible Assets	(230)	(124)	0		
Depreciation of Tangible Assets	(10,096)	(11,455)	(9,926)	(9,256)	(8,704)
Other Operating Costs	(23,362)	(25,059)	(23,531)	(22,211)	(28,021)
	10,526	12,944	9,531	15,779	10,972
Exceptional Items - Costs of Restructuring TH	-	-	(7,902)	-	-
Interest on Pension Scheme Liability	(18,195)	(16,490)	(15,666)	(13,627)	(13,872)
Gain/(Loss) on Sale of Fixed Assets	80	207	(215)	(343)	(173)
Income from Investments	1,888	2,105	1,802	1,708	1,563
(Loss)/Profit on Sale of Investments	5,843	998	(550)	(1,030)	(3,989)
Other Interest Receivable	1,087	914	1,124	898	677
Interest Payable	(1,102)	(1,351)	(1,460)	(1,580)	(1,814)
Surplus for the Financial Year	127	(673)	(13,336)	1,805	(6,636)
Fixed Assets	127,558	105,577	100,890	96,990	98,137
Net Current Assets	96,527	94,517	85,750	84,679	66,372
Long Term Creditors, Capital & Reserves	(196,788)	(143,108)	(126,697)	(116,822)	(127,778)
Pension Liability & Other Provisions	(351,337)	(310,248)	(263,093)	(244,417)	(232,621)
Purchase of Tangible Fixed Assets	35,534	16,028	13,317	8,116	7,701
Average Number of Employees (inc part time)	881	909	956	1,010	1,042

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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