



# ***THE GENERAL LIGHTHOUSE FUND 2002 – 2003***

Report and Accounts for the year ended 31 March 2003  
(in continuation of the House of Commons Paper No 1015 of 2002/2003)

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

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*Department for  
Transport*



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# Foreword to the Accounts for the year ended 31 March 2003

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

## Accounting for the Fund

The Companies Act 1985 does not apply to all public bodies but the principles that underlie the Act's accounting and disclosure requirements are of general application: their purpose is to give a true and fair view of the state of affairs of the body concerned. The Government therefore has decided that the accounts of public bodies should be prepared in a way that conforms as closely as possible with the Act's requirements and also complies with Accounting Standards where applicable. The Fund's Accounts consolidate the Authorities' accounts and comply as appropriate with this policy. The Notes to the Accounts contain further information. Section 211(5) of the Merchant Shipping Act 1995 requires the Secretary of State to lay the Fund's Accounts before Parliament.

## Fund Activities

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 sea areas around the British Isles is vested in the three General Lighthouse Authorities (GLAs):

- Corporation of Trinity House (TH);
- Commissioners of Northern Lighthouses (known as the 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 1995 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, the Corporation discharges the responsibilities of the Department for Transport at Sombrero (Anguilla) and Cape Pembroke (Falkland Islands). The Authority 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 GLAs the powers to establish contracts to exploit spare capacity.

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

## Code of Practice for Board Members

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

## Source of Finance

The GLAs are financed by advances made by the Department for Transport 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 in 1985 and from sundry receipts

generated by the GLAs, from buoy and property rental, workshop service and the sale of assets. There is also income from investments. All three GLAs contained their running cost expenditure within levels approved 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 Communication Marine and Natural Resources sets light dues in the Republic of Ireland. Light dues rates and regulations remained unchanged during the year.

## Results

In 2002/2003 the income of the Fund was £77.2m (2001/2002 £81.1m) including light dues of £71.9m (2001/2002 £75.2m). Total operating expenditure of the Fund was £65.7m (2001/2002 £62.9m) before interest charges.

The surplus in 2002/2003 was £5.5m (2001/2002 £14.7m).

In April 2000 the investment fund was split between two investment houses, Morgan Stanley Quilter and HSBC Asset Management. In addition to the investment portfolio, Morgan Stanley Quilter also manages the Fund's Cash Reserve. All light dues income is paid into the Cash Reserve. The imprest transfers to the GLAs are paid out of the cash reserve.

### Investments analysis by Investment House

		Market Value 31 March 2003 £M	Cost 31 March 2003 £M
<b>HSBC</b>	Investments	25.3	34.3
	Cash for investment	0.7	0.7
<b>MSQ</b>	Investments	20.2	24.8
	Cash for investment	0.1	0.1
<b>Total</b>		<b>46.3</b>	<b>59.9</b>
Cash Reserve*		17.3	17.3
<b>Total Reserve</b>		<b>63.6</b>	<b>77.2</b>

\*Includes Euro cash reserve of £1.3m, excludes £3.1m cash held by the GLAs

During the year light dues collected in Euros by Rol were held in a Euro account and used to partially meet the running costs for CIL

There were considerable fluctuations in the value of the Fund during 2002/03. This reflected the

instability of the investment market. The total cash value of the Fund at 1 April 2002 was £68.8m. The value at 31 March 2003 had fallen to £63.6m, a reduction of £5.2m or 7.6%. The closing value was measured close to the lowest value of the FTSE 100 index for the year. The effect of the reduction in the value of the investments was reduced by light dues income that was slightly above predicted levels. In addition the cash draw downs required by the GLAs were less than forecast.

## Activities

### The Marine Navigation Plan to 2015

The current plan projected a mix of aids based on the technology mix of the late 1990s. In the intervening period, the GLAs' marine Differential Global Positioning System (DGPS) has been commissioned. The Decca Navigator closed in 2000. Debate continues on the future of the Loran C system post-2004. Automatic Identification Systems will become a mandatory fitment to all vessels over 300 gross tons registered in SOLAS states. Work has begun to develop a new marine navigation plan that takes these changes into account, providing a vision of the requirement to 2020.

### Operational Performance

The performance indicator used to measure operational performance is "Aids to Navigation Availability". This indicator is a measure of the quality of the primary service – the effectiveness of Aids to Navigation and their availability as a contribution to safe navigation at sea. 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 total number of hours that the Aids were available to the mariner. This calculation is then expressed as a percentage.

Methods of measurement and recommended standards are set for each category of Aid by the International Association of Aids to Navigation and Lighthouse Authorities (IALA) and included in its publication IALA Aids to Navigation Guide (Navguide – Edition 4: December 2001).

Pages 9, 10 and 11 set out the results for 2002/2003. All Standards have been achieved with the exception of Northern Lighthouse Board's Category 1 Racons where performance is 0.1%

below the IALA minimum. The causes have been ascertained and specific objectives have been set to recover the situation. The trend is improving.

### Historic Estate

Work continues to develop the historic estate to provide an income to the General Lighthouse Fund and to preserve its integrity for the future. Much of the lighthouse estate is under-utilised for aids to navigation purposes. While much of the estate has been sold, partial disposal of operational sites has not proved to be attractive for many reasons. The lighthouse tower and service buildings are an integrated unit and partial disposal would require major re-provision of key services. In many cases the entire structure continues to function as a day mark. Partial disposal would reduce the value of the freehold site and could compromise any future use as navigation aids are updated.

Trinity House have entered into a contract to market a number of former lighthouse keepers' cottages as holiday cottages. This has produced a small income for the Fund, allowing the authority to retain freehold ownership of the site, and has reduced the maintenance costs met by the Fund. The Northern Lighthouse Board markets its properties through the National Trust for Scotland. The Commissioners of Irish Lights markets unused accommodation through the Irish Landmark Trust.

In addition the GLAs continue to seek opportunities to open lighthouses to the general public, usually in co-operation with other bodies. Many of the sites welcomed visitors while they were fully manned. Automation and de-manning reduced the opportunity to visit the installations. Some more remote sites began to deteriorate due to the lack of heating within the structures, raising the prospect of substantial maintenance costs in the longer-term.

Some of these have no alternative uses but will continue to have a major role in providing aids to navigation. Trials are taking place to ventilate these structures by use of wind generated power.

### Ships

The GLAs undertook a full review of their ship requirement during the year. This encompassed a full review of the current fleet and their statutory responsibilities. It evaluated the current maintenance workload and the requirement to respond to wreck emergencies. The review identified the reducing level

of ship time dedicated to routine maintenance to aids to navigation. It concluded that two of the vessels, the NLB Pharos and the THV Mermaid, should be replaced with two new Multi-Function Tenders (MFTs) as soon as possible. The THV launches, Vectis and Ready, should be replaced with a larger Rapid Intervention Vessel (RIV). The primary function of the RIV would be to offer a rapid wreck-marking facility in the event of an accident in the Dover Straits. The RIV would also carry out survey and buoy work in the Southeast corner of the UK. The review proposed the withdrawal of the THV Patricia when the new vessels have entered service. This would reduce the GLAs' fleet to three multi-function tenders, one smaller buoy tender and the RIV. These would be supported by smaller craft and some contract vessels. The review projected savings of £3 million per annum.

The existing fleet continues to undertake contract work. Income in 2002/03 was £87k (2001/02 £77k). The continuing requirement for spare capacity to deal with emergency wreck work requires spare capacity in the revised fleet. This will continue to be used to generate additional income for the Fund.

In February 2003, Trinity House commenced the marketing of cruises on board their flagship, THV Patricia, utilising the accommodation reserved for use on inspection voyages. This may generate useful additional income for the Fund.

### Depots

Considerable effort has been devoted to the streamlining of the GLAs' depot operations during the year. The Northern Lighthouse Board's Oban depot rebuild was completed in 2001. Experience with the improved depot organisation and facilities led to the conclusion that the Board's second depot at Stromness was no longer required. This depot would also require significant capital expenditure. The overall requirement for aids to navigation maintenance did not justify the retention of the site. In August 2002, the Commissioners consulted the work force and local community on the implications. The depot was closed in October 2003.

The Commissioners of Irish Lights are evaluating the option of redeveloping their existing depot site at Dun Laoghaire. This would permit the location of depot and headquarters staff at a single location and the disposal of the existing headquarters building in Lower Pembroke Street, Dublin. At the request of the

Department, the Commissioners are evaluating alternative sites for the relocation of the Service.

The Trinity House Lighthouse Service carried out a full review of its depot structure. Options evaluated included relocation of all depot services to Marchwood on Southampton Water. This was compared to the redevelopment of the existing Harwich facility as the main location with a subsidiary depot at Swansea. The roles of the smaller depots, located at Cowes, Great Yarmouth and Penzance were re-assessed.

In December 2002, THLS announced that they would not proceed with the Marchwood proposal. The East of England Development Agency had offered a £2.5 million grant towards the cost of the redevelopment of Harwich. A new office is to be built on the site of the existing buoy yard. The buoy yard will be moved to a site adjacent to the existing Trinity Pier. The Swansea Depot will remain in operation. THLS announced the closure of their depots at Great Yarmouth in 2003, Penzance expected in 2004, and Cowes in 2005. The engineering staff will move from Cowes to Harwich.

### **Light Dues Review**

The Department issued a consultation document entitled "Light Dues Review: Meeting the cost of Marine Aids to Navigation" in May 2002. The Department sought observations from all classes of user on the structure of the current charges. It also sought views on which types of users were making significant use of GLA provided aids and whether charging should be extended to other classes of vessels. In March 2003 the Shipping Minister, David Jamieson, announced that the response to the review had been inconclusive. There was little consensus for change to the charging structure or on the major users of the various types of aids to navigation. The Minister however announced a programme of work including an independent review of the economic effects of light dues.

### **Future provision of GLA Service in Ireland**

The Commissioners of Irish Lights operate as an all-Ireland body under legislation dating from 1786. No substantive changes were made to the CIL constitution on the establishment of the Irish Free State in 1922. In 1998, proposals were made to incorporate the Commissioners of Irish Lights into one of the 6 North/South Implementation Bodies

established as part of the British-Irish Agreement. The Department for Transport has been working with the Republic of Ireland Taoiseach's Office and the Northern Ireland Office of the First Minister and Deputy First Minister to develop proposals for transferring responsibilities of the General Lighthouse Authority for Ireland to the Foyle, Carlingford and Irish Lights Commission (FCILC). There are significant legal and accountability issues surrounding the proposals. To date this proposal has not been implemented. Alternative approaches are being considered.

### **Light Dues Rates and Regulations**

UK light dues rates were last increased in 1993 and were reduced in 1997 and 2002. In April 2002, the tonnage rate was reduced to 40p per net ton (formally 41p) and a tonnage ceiling of 40,000 net tons was applied to the charges. The Minister for Communication Marine and Natural Resources (formally Marine and Natural Resources) increased the light dues rate in the Republic of Ireland to 0.56 Euro per net ton and a 40,000 ton charging ceiling was also introduced. No changes were made for the 2003/04 financial year. No changes were made to light dues regulations.

### **Significant changes to aids to navigation**

The Marine Navigation Plan to 2015 remains the basis of the provision of aids to navigation for the United Kingdom and Ireland.

### **Automatic Identification Systems (AIS)**

One of the most significant developments internationally over the last year has been the development of AIS. AIS is a developing technology offering significant potential for improved safety and communications at sea with major applications in security, traffic monitoring and management and as an electronic marine aid to navigation. AIS aids to navigation will require integrity monitoring of the transmitted signal through a base station network. Initial studies of the approach to AIS Networks have been completed and trials have continued to gain experience in the use of AIS on shore-stations and aids to navigation. Technical support for the establishment of operational installations has been given a high priority.

The second phase of the AIS Networks study has been completed, involving the analysis of requirements for the UK and Ireland, reviewing and confirming the estimated costs and preparing a presentation, subsequently given to the DfT and Chamber of Shipping. This work was financed under a special sanction. The GLAs intend to install further AIS units in order to more fully evaluate its potential including:

- Use as a stand alone aid to navigation;
- Enhancing existing aids to navigation;
- Monitoring the performance of aids to navigation;
- Providing AtoN identity and other navigational information such as real time tidal height, tidal stream, weather and local sea conditions to ships and shore authorities;
- Autonomously reporting the system health and position integrity status of floating aids to navigation;
- Facilitating the GLAs in assessing the traffic type and pattern to assist in the provision of the appropriate level of service and mix of aids to navigation.

The Department for Transport is considering the proposal to have AIS declared as a beacon for the purposes of the Merchant Shipping Acts.

It is proposed to continue to develop AIS on a trial basis to cover high-risk navigation areas and to mark routes and areas containing buoys of special navigational significance.

The level of funding required for future years will be dependent upon the outcome of these further trials, the GLAs' studies on the level of service requirements in connection with the publication of the GLAs' Joint AtoN Review Consultation Document and further evaluation and development of the networking requirements.

## Trinity House Lighthouse Service

### Floating Aids to Navigation

THLS have successfully completed the first phase of buoy monitoring, enabling the position of all buoys fitted with Radar Beacons (Racons) to be monitored

from the Harwich Operation Control Centre. Phase two will improve the performance monitoring of these buoys and enable control of the AtoNs should they stray off station. Work is also in hand reviewing the design of the buoy stock to reduce the maintenance commitment and improve the handling. This review is being assisted with the use of a new software stability package.

### Solarisation

The solarisation of lighthouses has continued with the completion of Wolf Rock off Land's End and Round Island in the Isles of Scilly. Both were originally powered from constant running diesel alternators. Wolf Rock still retains a diesel alternator, for use in winter periods, as part of a hybrid solar/diesel power system due to the limited space available for mounting photovoltaic solar modules.

### Re-engineering Projects

Cromer lighthouse was re-engineered using industrial standard programmable logic control (PLC) equipment which has now become the standard design for THLS. The equipment minimises the cabling requirement and simplifies manufacturing, reducing project costs. Skerries and Smalls lighthouses will be engineered with similar equipment during their coming solarisation in 2004.

## Northern Lighthouse Board

### Lighting of unlit buoyage and beacons

A full review of all the NLB's unlit beacons is being conducted to confirm their continued navigational need and proposals to discontinue, retain unlit or to light, are being developed as appropriate. Where beacons are lit they will be powered by a solar system using long-life LED (Light Emitting Diode) light sources.

The NLB continues to pursue its programme of solarisation of gas lights with 35 converted during the year. The conversion to renewable power sources will include the conversion to solar-electric power of a further 13 lights presently powered by single cycle batteries that need to be replaced each year. These projects, when completed, will remove the logistic requirements for annual battery replacement and subsequent disposal.

The NLB proposes to monitor significant Aids to Navigation at the Monitor Centre in Edinburgh, of which 106 are at present monitored.

The NLB commenced a program of rolling coastal reviews during 2002/2003 covering the Outer Hebrides and Forth Areas. These reviews look at the balance of AtoN in a particular location, consult with interested parties and make recommendations for changes. For example, as a result of the reviews Monachs Light is to have the range increased; Bass Rock Light will be replaced with a minor light; and studies will be carried out to assess the viability of installing a Racon at Haskeir. The reviews will inform the overall 5-yearly GLA Coastal Review due to be completed by October 2004.

## Commissioners of Irish Lights

Efforts to provide energy efficient solutions in the re-engineering of lighthouses continue. Solarisation of the offshore major light at Slyne Head was completed and the gas powered lights at Scatterry Island, Metal Man and Oyster Island Lighthouses were each converted to operate from solar power. A project is currently in hand to convert the major offshore lighthouse at Inishtearaght to hybrid solar/diesel electric power.

Extensive engineering is underway to re-equip St. John's Point Down and Aranmore Lighthouses. Projects are in hand to upgrade equipment at the major offshore lighthouse at Maidens and at the major onshore lighthouse at Mine Head. A project is in hand to provide an undersea main electricity supply to the major offshore light on Ballycotton. Projects are also in hand to provide mains electricity and to upgrade the equipment at Charlesfort Lighthouse and at Rue Point Lighthouse on Rathlin Island.

Automated lightvessels are very effective but expensive aids to navigation. The project to develop and assess the concept of a 'Superbuoy' as a possible replacement for the two Automatic Lightfloats deployed on the South Rock and Coningbeg stations has been ongoing for a number of years. Experience with the experimental Black Rock superbuoy deployed off the Wexford coast has shown that this is not an easy task. Difficulties have been encountered in finding an optic with both the durability and range required to adequately mark major hazards to shipping. However, trials continue

focusing our efforts on using new LED light sources, robust monitoring systems, a duplicated wave activated generator power source and improved high output solar panels.

The project for the replacement of steel daymarks on first and second class buoys with standardised modular type aluminium superstructures and the adoption of standardised solar powered systems continues. Thirty-two buoys are being converted to the new system each year and the project will be completed in 2005/06.

## GLA pensions

The Secretary of State for Transport determines pension arrangements for staff in the GLAs. He has determined that the provisions of the Principal Civil Service Pension Scheme shall apply. As note 18 to the Accounts makes clear, this is an unfunded pension scheme with pension costs met from income to the GLF. The actuarial deficit was estimated at £210.6m as at 31st March 2002. Pension expenditure £10.9m (£10.6m in 2001/2002) is expected to double over the next 20 years. DfT, in conjunction with the GLAs and the Lights Advisory Committee (the Secretary of State's advisors on marine aids to navigation and light dues) are considering the best approach to meet pension expenditure.

The Secretary of State, with the agreement of the Treasury, issued a letter of comfort in December 2001 (see appendix 2). 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.

## Research and Development

The research programme is reviewed annually in consultation between the Authorities, the Lights Advisory Committee and the Department for Transport. The programme includes research into lighthouses, the automation of light vessels, buoy design, radionavigation and equipment standardisation and reliability. The GLAs have extended their activity to include work in support of EU research into the provision of Global Navigation Satellite Systems, the next generation of satellite

navigation and the use of Automatic Identification Systems as an aid to navigation and as a system for monitoring the operation of aids. This is designed to ensure that the navigation requirements of the mariner are taken into account as systems are developed. The cost of the research programme for 2002/2003 was £0.6m (2001/2002 £0.5m).

## Significant events after 31 March 2003

### Depots

The Great Yarmouth and Stromness Depots have now been closed. Planning permission has been obtained to build a new buoy yard on the Gas House Creek site at Harwich. The existing buoy yard will be developed as new offices.

### Future provision of Aids to Navigation

The GLAs have published a draft strategy document entitled "2020 The Vision", which seeks views on the ongoing needs and the vision of future requirements for marine aids to navigation service up to 2020. This document will be subject to 5-yearly reviews to ensure that advances in technology, both onboard and ashore, regulatory changes and training standards are taken into account.

### Admiral Sir Michael Livesay KCB

Sir Michael Livesay, elected Commissioner of the Northern Lighthouse Board, died on 20 October 2003. Sir Michael was Chairman of the Commissioners during the 1990s and contributed greatly to the development and operation of NLB.

## The Department for Transport

The Prime Minister announced in May 2002 a number of changes to his Cabinet and to departmental responsibilities. The Department for Transport (DfT) now has ministerial responsibility for the General Lighthouse Authorities, previously under the former Department for Transport, Local Government and the Regions.

## The Department of Communications, Marine and Natural Resources

The Irish Government signed an Order that with effect from 19th June 2002 the former Department of the Marine and Natural Resources (DOMNR) is renamed the Department of Communications, Marine and Natural Resources (DCMNR).

### Accounts Direction

Under Section 218(2) of the Merchant Shipping Act 1995 the Secretary of State has the power to direct the General Lighthouse Authorities in the format of their accounting records. The GLF accounts are a combination of the accounts of all 3 GLAs, the accounts maintained by the Department in combination with the two investment managers and the light dues collection accounts maintained by Trinity House. Discussions between the GLAs, DfT, Treasury and the National Audit Office on the content of an Accounts Direction that would set out and clarify the application to the GLF of Generally Accepted Accounting Practice (GAAP) and additional disclosure requirements have been completed. The Accounts Direction came into operation with effect from 1 April 2002.

### Payment of creditors' policy

The Authorities seek to comply with the CBI Prompt Payment Code and arrange payment to creditors by the due date in accordance with the contract or suppliers terms of credit. Suppliers are advised that complaints in respect of settlement of accounts should be made in writing to the relevant Authority.

The proportion of the amount owed to trade creditors at 31 March 2003 compared to the amount invoiced by suppliers during the year equated to the following proportions of 365 days:

- Trinity House Lighthouse Service 17 days;
- Northern Lighthouse Board 30 days;
- Commissioners of Irish Lights 30 days.

## Employees with disabilities

The policy of the Authorities towards the employment of disabled people is that, in general, disablement is of itself no bar to recruitment or advancement; but the nature of the duties of some occupations, such as lighthouse maintenance staff, necessarily imposes some limitations.

## Employee involvement

The Authorities, using a long established mechanism of joint committees covering all grades, continue to inform their employees of matters of concern to them and to consult them regularly so that account can be taken of their interests.

## Environmental issues

The GLAs operate in full support of Government initiatives and broad public opinion on more proactive consideration of the environment. Thus, measures to protect the environment and sustainable development figure strongly in the GLAs consideration of modernisation, improvement and future technologies.

## Auditors

The accounting records of the GLAs and the consolidated General Lighthouse Fund are examined by the Comptroller and Auditor General. This is under the terms of Section 211(4) of the Merchant Shipping Act 1995, Section 679 of the Merchant Shipping Act 1894 in respect of the Republic of Ireland.

David Rowlands      8 June 2004  
Accounting Officer

# Performance Indicators for the General Lighthouse Authorities

## Trinity House Lighthouse Service

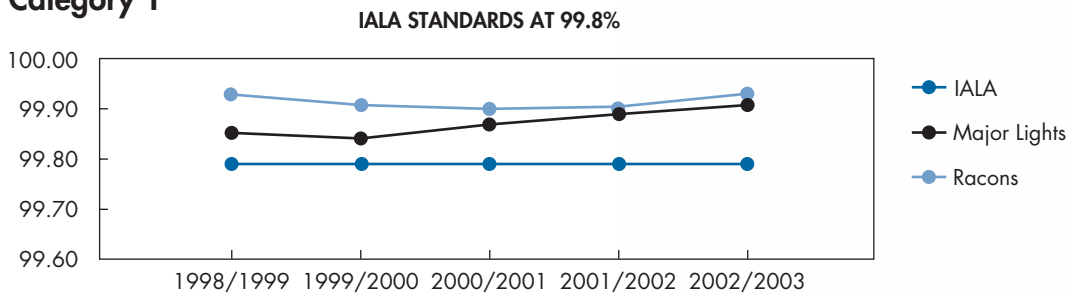
Actual Performance of aids to navigation against the International Association of Aids to Navigation and Lighthouse Authorities (IALA) minimum standard

A to N Type	Category	IALA Minimum %	1998/1999 Actual %	1999/2000 Actual %	2000/2001 Actual %	2001/2002 Actual %	2002/2003 Actual %
Lights (Major)	1	99.80	99.86	99.85	99.88	99.90	99.92
Racons	1	99.80	99.94	99.92	99.91	99.91	99.94
Lights (Other)	2	99.00	99.89	99.92	99.91	99.93	99.93
Fog Signals	3	97.00	99.64	99.78	99.91	99.93	99.94
Lights (Buoys)	3	97.00	99.95	99.95	99.97	99.92	99.90

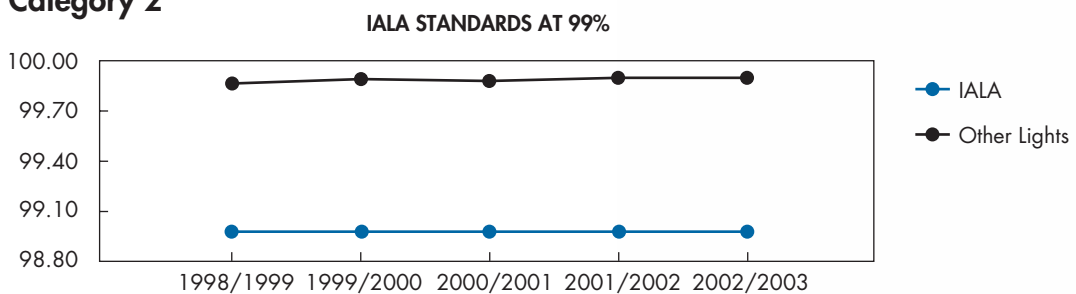
Three Year Rolling Average. All Aids were recategorised from 2000/2001 in accordance with IALA policy.

The previous designations are shown in brackets

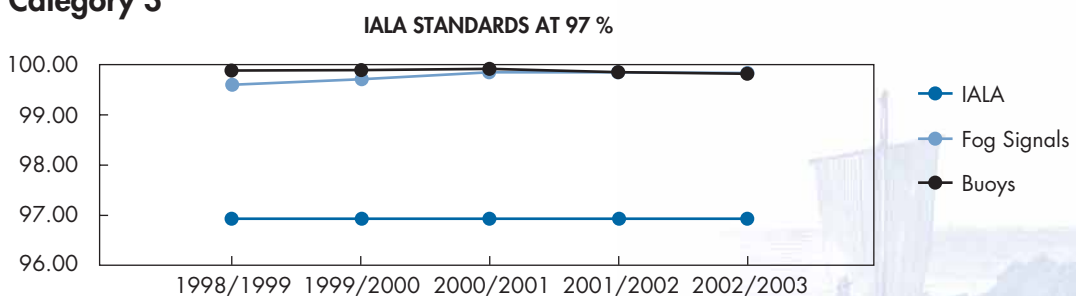
### Category 1



### Category 2



### Category 3



## Northern Lighthouse Board

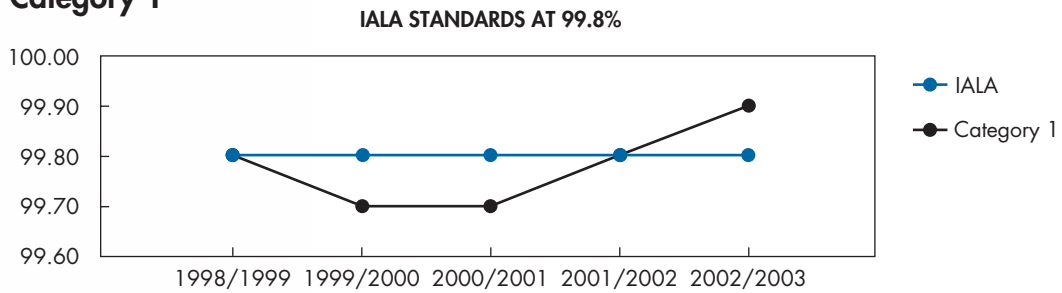
Actual Performance of aids to navigation against the International Association of Aids to Navigation and Lighthouse Authorities (IALA) minimum standard

A to N Type	Category	IALA Minimum %	1998/1999 Actual %	1999/2000 Actual %	2000/2001 Actual %	2001/2002 Actual %	2002/2003 Actual %
Buoys, Lights, Racons	1	99.8	99.8	99.7	99.7	99.8	99.9
Buoys, Lights	2	99.0	99.9	99.9	99.9	99.9	100.0
Buoys, Beacons	3	97.0	100.0	100.0	100.0	100.0	99.9

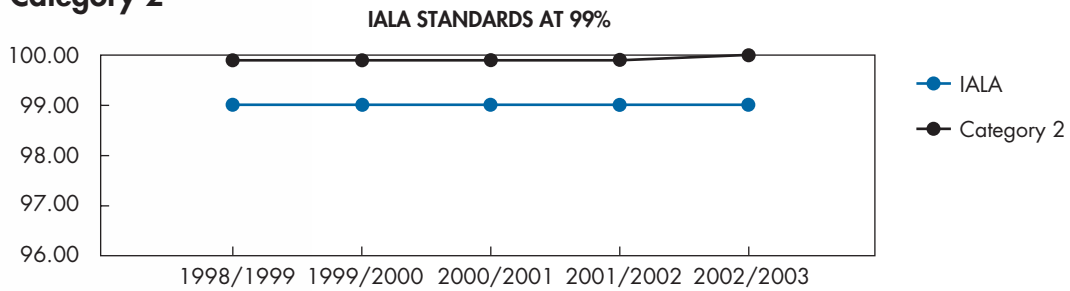
Three Year Rolling Average.

In moving towards the internationally-agreed performance criteria, it has proved impossible to back-calculate statistics for previous years for Commissioners of Northern Lighthouse Board, because of the necessary changes to the groupings of aids to navigation

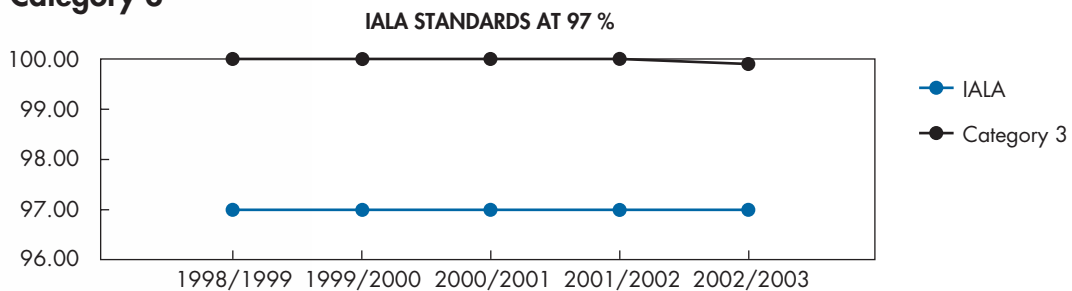
### Category 1



### Category 2



### Category 3



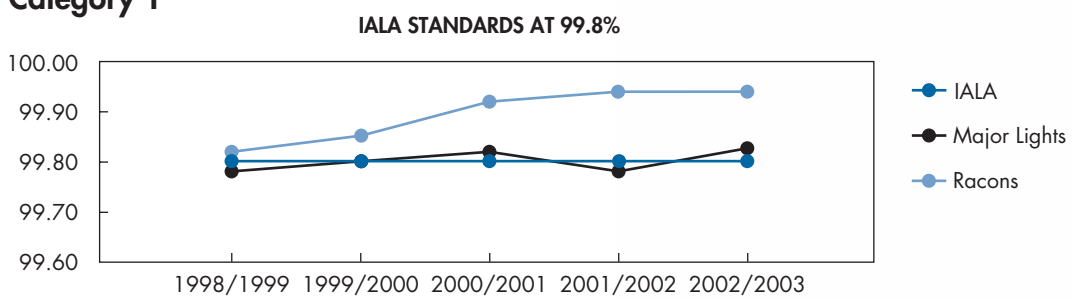
## Commissioners of Irish Lights

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

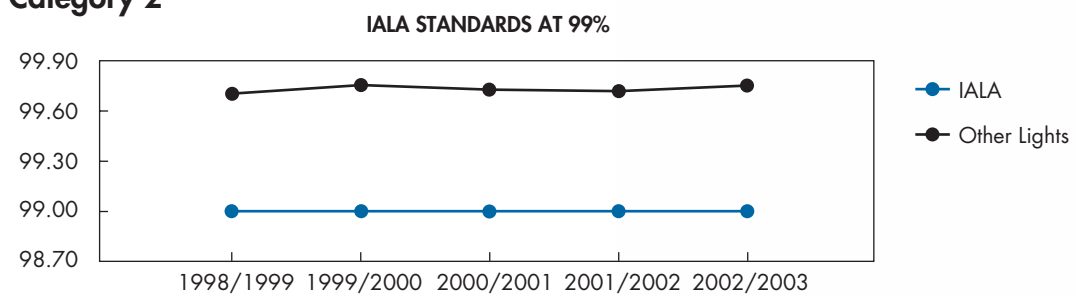
A to N Type	Category	IALA Minimum %	1998/1999 Actual %	1999/2000 Actual %	2000/2001 Actual %	2001/2002 Actual %	2002/2003 Actual %
Major Lights	1	99.80	99.79	99.80	99.82	99.79	99.83
Racons	1	99.80	99.82	99.84	99.92	99.94	99.94
Other Lights	2	99.00	99.70	99.76	99.73	99.72	99.75
Fog Signals	3	97.00	99.89	99.47	99.61	99.62	99.72
Buoys	3	97.00	99.57	99.53	99.48	99.51	99.64

Three Year Rolling Average.

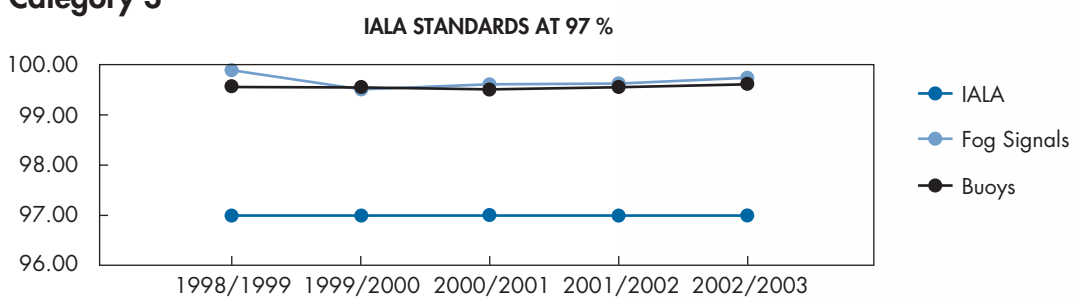
### Category 1



### Category 2



### Category 3



# 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 three senior officials of Trinity House are non-voting members of the Board.

### ***The membership of the Lighthouse Board during 2002/03 was as follows:***

#### **Elder Brethren**

**Rear Admiral Sir Patrick Rowe** – Executive Chairman (to 15.7.2002)

**Rear Admiral Jeremy de Halpert** – Executive Chairman (from 16.7.2002 – Non Executive from 14.5.2002 to 15.7.02)

**Commodore P.J. Melson** – Director of Operations

**Captain D.C. Glass** – Director of Navigational Requirements

**Mr D. Potter** – Non Executive (from 16.7.2002)

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

**W.A.C. Thomson** – Non Executive

**P.R.A. Bainbridge** – Non Executive

**D. Coltman** – Non Executive

#### **Non Voting Directors**

**K.W. Clark** – Director of Finance (until 22.9.2002)

**J.S. Wedge** – Director of Finance (from 10.2.2003)

**D.I. Brewer** – Director of Administration

**D.M. Golden** – Director of Engineering

## 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 Department for Transport that the Secretary of State will nominate one person for election under (e) above.

***The membership of the Northern Lighthouse Board in 2002/2003 was as follows:***

**Law Officers for Scotland**

The Rt Hon Colin Boyd, QC – The Lord Advocate (Commissioner since 6 May 1997)

Elish Angiolini, QC – Solicitor General for Scotland (Commissioner since 5 December 2001)

**Sheriffs Principal of the Sheriffdoms in Scotland**

Sheriff-Principal C. Gordon B. Nicholson, CBE QC – Sheriff Principal of Lothian & Borders (Commissioner since 1 January 1990 and retired on 31 October 2002)

Sheriff-Principal Edward F. Bowen, QC – Sheriff Principal of Glasgow and Strathkelvin (Commissioner since 17 November 1997 and Vice-Chairman since 1 April 2001)

Sheriff-Principal Bruce A. Kerr, QC – Sheriff Principal of North Strathclyde (Commissioner since 31 December 1998)

Sheriff-Principal John McInnes, QC – Sheriff Principal of South Strathclyde, Dumfries & Galloway (Commissioner since 2 March 2000)

Sheriff-Principal R. Alastair Dunlop, QC – Sheriff Principal of Tayside, Central & Fife (Commissioner since 28 April 2000)

Sheriff-Principal Sir Stephen Young, Bt QC – Sheriff Principal of Grampian, Highland and Islands (Commissioner since 11 September 2001)

Sheriff-Principal I. MacPhail, QC – Sheriff Principal of Lothian & Borders (Commissioner since 1 November 2002)

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

Captain David M. Cowell – Formerly Chief Harbour Master of the Isle of Man (Commissioner since 1 January 1991 and appointed until 31 March 2004)

**Elected by the Commissioners**

Admiral Sir Michael Livesay, KCB CCMI – Formerly Second Sea Lord and Chief of Naval Personnel (Commissioner since 23 July 1994 and co-opted until 23 July 2004 (deceased 20 October 2003))

The Lord Maclay, DL – Formerly Group Marketing Executive Acomarit (UK) Ltd (Commissioner since 25

March 1996, Chairman since 1 April 2001 and co-opted until 24 March 2005)

Captain Kenneth MacLeod – Chief Executive Northern Marine Management Ltd (Commissioner since 25 July 1999 and co-opted until 24 July 2005)

Peter Mackay, CB – Formerly Secretary and Chief Executive of the Scottish Office Industry Department (Commissioner since 7 October 1999 and co-opted until 6 October 2005)

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

Captain George Sutherland – Formerly Director of Marine Operations, Shetland Islands Council (Commissioner since 1 August 1996 and retired on 13 January 2003)

Doctor Andrew Cubie, CBE FRSE (Commissioner since 14 January 2003 and co-opted until 13 January 2006)

**The Lord Provost of Edinburgh**

The Rt Hon Eric Milligan, JP (Commissioner since 4 April 1996)

**The Lord Provost of Glasgow**

The Rt Hon Alexander Mosson, JP (Commissioner since 20 May 1999)

**The Lord Provost of Aberdeen**

The Rt Hon Margaret Smith, JP (Commissioner since 13 May 1999)

**Member of Highland Council**

William Smith – Provost of Inverness (Commissioner since 31 May 1999)

**Convener of Argyll & Bute Council**

William Petrie, OBE JP DL (Commissioner since 1 April 2001)

**Senior management**

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

James Taylor, FRIN FCMI – Chief Executive

Moray Waddell, BSc(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

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

## Commissioners of Irish Lights

The Commissioners of Irish Lights were established in that name by the Dublin Port Act 1867, but derive their origin and constitution from an Act of the Irish Parliament of 1786 for developing the Port of Dublin. 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, three 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 1st January 1996 that the number of co-opted members be reduced from 17 to 12.

### ***The membership of the Board in 2002/2003 was as follows:***

Mr Richie Ryan, BA

Mr Michael A. O'Neill

Mr Michael W.S. Maclaran, BA

Mr John Gore-Grimes, BA, LLB

Commodore Liam S. Moloney – Deputy, Vice-Chairman (until January 2003)

The Lord Glentoran, CBE, DL

Mr Terence C. Johnson – Chairman

Ms Sheila M. Tyrrell – Vice-Chairman

Mr Frank J. Boland – Deputy Vice-Chairman (from January 2003)

Ms Mary Gallagher

Commodore John J. Kavanagh, NS

Ms Elizabeth Shanks

### **Representatives of Dublin City Council**

The Rt Hon The Lord Mayor, Alderman Michael Mulcahy (until July 2002)

The Rt Hon The Lord Mayor, Councillor Dermot Lacey (from July 2002)

Alderman Sean Haughey (resigned September 2002)

Councillor John Stafford – yet to take seat on Board (appointed by Dublin City Council from October 2002)

Councillor Eamonn O'Brien

Councillor Ciaran Cuffe (resigned January 2003)

Councillor Claire Wheeler (from February 2003)

### **Secretary to the Board**

Mrs Alexandra Bedlow

# 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 are prepared annually on an accruals basis. Their purpose is to 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 (the Fund), which consolidates the Authorities' accounts, before Parliament. The Department for Transport prepares these accounts.

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

In preparing these accounts the Department:

- Observes relevant accounting and disclosure requirements, and applies suitable accounting policies on a consistent basis;
- Makes judgements and estimates on a reasonable basis;
- States whether applicable accounting standards have been followed, and discloses and explains any material departures in the financial statements; and
- Prepares the financial statements on a going concern basis, unless it is inappropriate to assume that the Fund will continue in operation.

The Accounting Officer for the Department for Transport is the Fund's Accounting Officer. The responsibilities of Accounting Officers, including those for the propriety and regularity of the public finances for which they are answerable, and for the

keeping of proper records, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in "Government Accounting".

# Statement on Internal Control

As Accounting Officer, I acknowledge my responsibility for ensuring that a sound system of internal control is maintained by the bodies whose activities are financed by the General Lighthouse Fund; the General Lighthouse Authorities (GLAs) and certain functions of the Department for Transport, that 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. 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 Department'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 2003 and up to the date of approval of the annual report and accounts, and I consider that these accord with Treasury guidance.

A triennial risk review was undertaken in October 2003 by external risk management consultants on behalf of the three GLAs, which was submitted to the Lights Finance Committee. An immediate review would be commissioned if there were any perceived significant change 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 Memorandum 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 for submission to the Secretary of State;
- Budgets delegated to the individual GLAs, which are reviewed by the Boards;
- Setting targets and performance indicators to monitor performance;
- Guidelines on procedures for capital investment and the proper assessment of cost benefit analyses where appropriate;
- A system of formal project management disciplines, which are applied to each major capital project.

The GLAs use the independent services of Audit and Risk Assurance (ARA) of the Department for Transport. 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 body. The report includes the ARA's independent opinion on the adequacy and effectiveness of the bodies' systems of internal control.

## Management of the Fund

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 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;
- 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.

On the basis of the assurances noted in this statement, I have reviewed, as far as practicable, 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.

David Rowlands      8 June 2004  
Accounting Officer



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

I certify that I have audited the financial statements on pages 20 to 38 under the Merchant Shipping Act 1995. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 24 and 25.

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

As described on page 15, 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 Department for Transport and Accounting Officer are responsible for the preparation of the consolidated financial statements and for ensuring the regularity of financial transactions. The Department and Accounting Officer are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute, and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Merchant Shipping Act 1995, and whether, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Department, has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 16 and 17 reflects the Department's compliance with Treasury's guidance 'Corporate governance: statement on internal control'. I report if it does not meet the

requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

## Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Department for Transport and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are 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 are free from material misstatement, whether caused by error, or by fraud or other irregularity 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

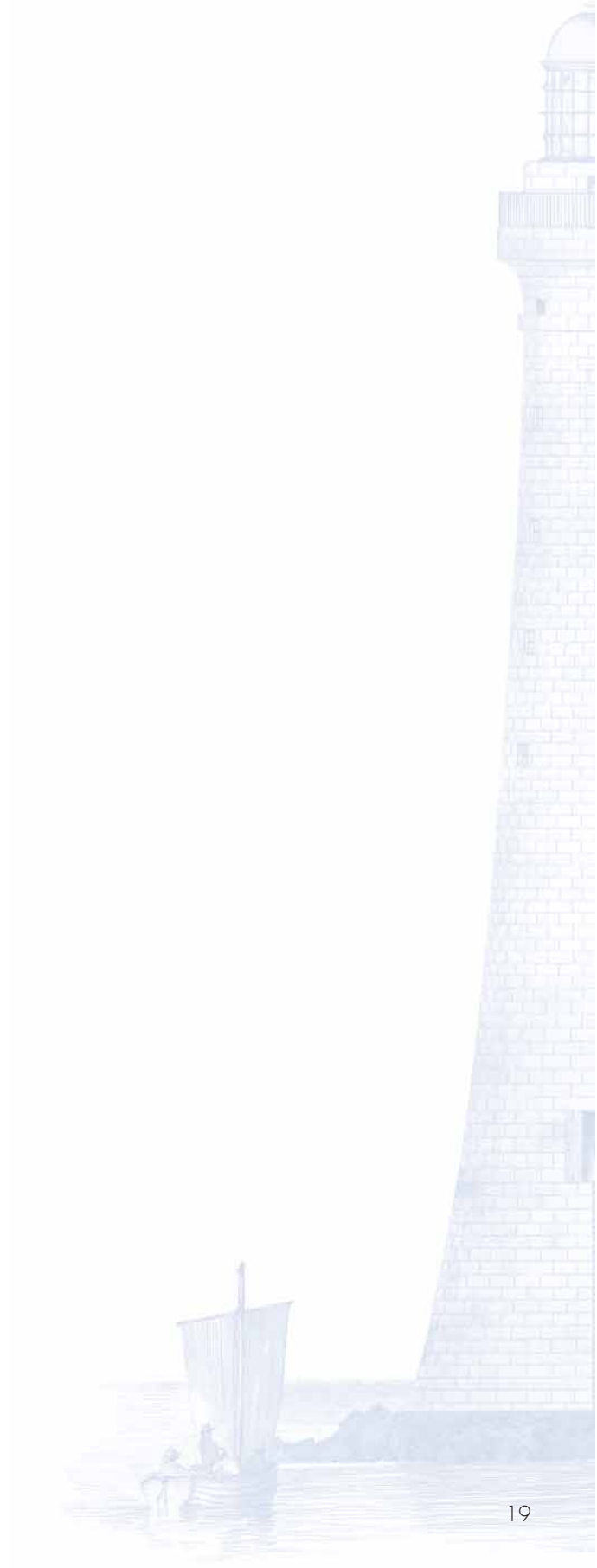
In my opinion:

- The financial statements give a true and fair view of the state of affairs of the General Lighthouse Fund at 31 March 2003 and of the surplus, total recognised gains and losses and cash flows for

the year then ended and have been properly prepared in accordance with the Merchant Shipping Act 1995; and

- 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.

John Bourn      25 June 2004  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria, London SW1W 9SP



# Income and Expenditure Account

## for the year ended 31 March 2003

	Notes	2002/2003 £'000	2001/2002 £'000
<b>Income:</b>			
Light dues	2	71,894	75,205
Other operating income	3	829	967
Irish Government contribution	4	2,202	1,991
		<u>74,925</u>	<u>78,163</u>
<b>Expenditure:</b>			
Staff costs	5(a)	24,053	24,025
Pensions	5(c)	10,942	10,585
Depreciation	9	8,704	8,123
Other operating costs	7(b)	22,021	20,117
<b>Total Operating Costs</b>		<u>65,720</u>	<u>62,850</u>
Operating surplus		<u>9,205</u>	<u>15,313</u>
Notional cost of capital		(8,727)	(8,092)
(Loss)/Profit on sale of fixed assets		(173)	623
Income from listed investments		1,563	1,493
Loss on sale of listed investments		(3,989)	(1,529)
Other interest receivable		677	788
Interest payable	8	(1,814)	(2,035)
		<u>(12,463)</u>	<u>(8,752)</u>
Notional cost of capital @ 6%	1(i)	8,727	8,092
Surplus for the financial year		5,469	14,653

# Statement of Total Recognised Gains and Losses

Surplus for the financial year		5,469	14,653
Unrealised deficit on Investments	25	(13,526)	–
<b>Total recognised (loss)/gain for the year</b>		<u>(8,057)</u>	<u>14,653</u>

All amounts relate to continuing activities.

# Balance Sheet

## as at 31 March 2003

	Notes	2003 £'000	restated 2002 £'000
<b>Fixed Assets:</b>			
Tangible assets	9	97,697	98,907
Long term debtors	22	440	300
Total		98,137	99,207
<b>Current Assets:</b>			
Stocks		2,039	1,841
Debtors	10	5,835	5,887
Investments	11	45,550	60,847
Cash at bank and in hand		21,223	13,749
		74,647	82,324
Creditors: amounts falling due within one year	12	(8,274)	(7,912)
<b>Net Current Assets</b>		66,373	74,412
<b>Total Assets Less Current Liabilities</b>		164,510	173,619
Creditors: amounts falling due after more than one year	13	(29,833)	(30,918)
		134,677	142,701
Financed by:			
<b>Reserves</b>			
Accumulated reserve	25	117,433	110,982
Revaluation reserve	25	(13,526)	–
Pension reserve	16	29,716	30,698
Other reserves (grants)	1(i) 9(b)	1,054	1,021
		134,677	142,701

David Rowlands  
Accounting Officer

2004

# Cash Flow Statement

			(restated)
	<i>Footnotes</i>	2002/2003 £'000	2001/2002 £'000
<b>Cash Flow Statement</b>			
Net cash inflow from operating activities	1	18,030	21,153
Return on investments and servicing of finance	2	306	208
Capital expenditure	3	(7,798)	(10,693)
Management of liquid resources	4	(2,218)	(9,116)
Financing	5	(846)	(2,292)
Increase / (decrease) in cash		7,474	(740)
<b>Reconciliation of net cash in/ (out) flow to movement in net debt</b>			
Increase / (decrease) in cash		7,474	(740)
Cash outflow from lease financing		739	1,999
		8,213	1,259
Net debt at 1st April 2002		(19,038)	(20,297)
Net debt at 31st March 2003		(10,825)	(19,038)

## Footnotes to the cash flow statement

### Note 1

#### Reconciliation of operating surplus/(deficit) to net cash inflow from operating activities

	2002/2003	(restated) 2001/2002
	£'000	£'000
Operating surplus	9,205	15,313
Depreciation	8,704	8,123
(Increase) in stocks	(198)	(113)
Decrease/(increase) in debtors	36	(1,734)
Increase/(decrease) in creditors	283	(436)
Net cash inflow from operating activities	18,030	21,153

### Note 2

#### Returns on investments and servicing of finance

Interest received	2,256	2,314
Interest paid	(1,950)	(2,106)
	306	208

### Note 3

#### Capital expenditure

Payments to acquire tangible fixed assets	(7,832)	(11,415)
Receipts from sales of tangible fixed assets	34	722
	(7,798)	(10,693)

### Note 4

#### Management of liquid resources

Purchase of investments	(12,776)	(16,990)
Sales proceeds from investments	10,558	7,874
	(2,218)	(9,116)

### Note 5

#### Financing

Movements on Trintas investments	(140)	(300)
Advances from DCMNR	21	7
Advances from EU	12	-
Capital element of finance lease rentals	(739)	(1,999)
	(846)	(2,292)

### Note 6

Analysis of the changes in net funds/(debt)	2001/2002	Cashflow	2002/2003
Cash at bank	13,749	7,474	21,223
Finance leases	(32,787)	739	(32,048)
Net funds/(debt)	(19,038)	8,213	(10,825)

# Notes to the Accounts

## 1. Accounting Policies

### a) Accounting Convention

The accounts are prepared under the historic cost convention. They meet the accounting and disclosure requirements of the Companies Act 1985 and the Accounting and Financial Reporting Standards issued or adopted by the Accounting Standards Board, so far as those requirements are appropriate.

### b) Pension Benefits

The Accounting Standards Board (ASB) issued a new Financial Reporting Standard (FRS) on retirement benefits, FRS 17. The effective date is for accounting periods ending on or after 22 June 2003.

These Accounts comply with the transitional arrangements under FRS17, which requires at this stage disclosures of pension costs by way of a note. These details are set out in note 18. The FRS applies to all financial statements that are intended to give a true and fair view of reporting employers position and income and expenditure for a period.

The FRS covers funded and unfunded retirement benefits including schemes that are operated on a pay-as-you-go basis, whereby benefits are paid by the employer in the period they fall due and no payments are made to the fund benefits earned in the period. The FRS requires a liability to be recognised as benefits are earned, not when they are due to be paid.

### c) Fixed Assets and Depreciation

Fixed Assets are shown at cost less depreciation. 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 during which assets are sold. Assets in the course of construction are not depreciated.

Whilst sales of former lighthouse keepers' houses can produce returns in excess of book values, it is considered impractical to value such assets in view of their remoteness and lack of comparative market values. Book values have therefore been retained and no revaluations undertaken.

All depreciation is charged on a straight line basis having regard to the estimated operating lives and residual values as follows:

<i>Category</i>	<i>Depreciation Period</i>
<b>Land &amp; Buildings</b>	
Land	Not depreciated
Lighthouse (building structures)	50 years
Lighthouse improvements	25 years or remaining life if greater
Buildings	50 years
<b>Tenders &amp; Ancillary Craft</b>	
Tenders	25 years or remaining life if less
Tenders (Dry Dock and Repair)	Depreciated over period to next dry docking
Launches	15 years
Workboats	10 years
Light vessels (Hulls)	50 years
Light vessels (Hull conversions)	15 years
Light vessels (Dry Dock and Repair)	Depreciated over period to next dry docking
Lanbys	25 years
Buoys & beacons	25 years
Solarisation costs	10 years
<b>Plant &amp; Machinery</b>	
Lighthouses	15 years
Automation equipment	15 years
Racones & radio beacons	15 years
Depots and workshops	10 years
Office equipment	10 years
Vehicles	5 years
Computers – major systems	5 years
Computers – other	3 years
Assets held under finance leases	25 years, being the expected useful life. The primary lease periods are less than this but secondary periods sufficient to cover the balance are available

## d) Stocks

Stocks of consumable stores at depots and workshops, and fuel stocks on tenders are valued at weighted average cost.

## e) Research and Development

Research and development expenditure is written off as incurred.

## f) Leasing Commitments

Assets obtained under finance leases are capitalised in the balance sheet and depreciated as if they were 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 after more than one year.

Expenditure incurred in respect of operating leases is charged to income and expenditure as incurred. Rentals received under operating leases are credited to income.

## g) Foreign Currency

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.

## h) Taxation

The Fund is exempt from taxation under the provisions of Section 221 of the Merchant Shipping Act 1995. The Authorities are liable to account for VAT on charges rendered for their services and are able to reclaim VAT on all costs under the provisions of the Value Added Tax Act 1983.

## i) Notional Cost of Capital

The Income and Expenditure Account includes a notional cost of capital at 6% of the average net assets during the year. This amount is reversed after the line showing the surplus or deficit for the year.

## j) Irish Government Grant – Loran C

A grant of €33 k (£21 k) was received in 2002/03 from the Department of Communications, Marine and Natural Resources in respect of the Loran C Capital Project. The total advances were €1,242 k (£963 k) at 31 March 2003.

## k) Investments

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

## 2. Income from Light Dues

This includes £3.4m (2001/2002 £3.1m) relating to the Irish Republic Light Dues collections.

## 3. Other Operating Income

	2002/2003 £'000	2001/2002 £'000
Rentals		
Property	179	148
Buoys	196	177
Tenders	87	77
Sundry receipts	259	279
Other income	8	286
Exchange gain	100	–
	<b>829</b>	<b>967</b>

## 4. Irish Government Contribution

The GLF income is supplemented by an annual contribution from the Irish Government under the terms of an agreement reached in 1985 for the sharing of certain costs incurred by the Commissioners of Irish Lights in the Republic. The payment in respect of costs incurred in 2002/03 falls due in January 2004. This sum represents, after taking account of light dues, the amount needed to meet 50% of the relevant expenditure in that year.

## 5.a) Staff Costs

	2002/2003 £'000	2001/2002 £'000
Wages and salaries	22,429	21,294
Social security costs	1,467	1,523
Redundancy	549	1,562
	<b>24,445</b>	<b>24,379</b>
Costs capitalised in fixed assets	(392)	(354)
	<b>24,053</b>	<b>24,025</b>

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

	THLS	NLB	CIL	Total 2002/2003	Total 2001/2002
Lighthouse attendants*	–	122	79	201	231
Light floats	–	–	4	4	4
Tenders	116	74	30	220	225
Depots & workshops	289	52	78	419	428
Head office	33	83	61	177	170
Coast tradesmen	–	–	21	21	23
<b>Total</b>	<b>438</b>	<b>331</b>	<b>273</b>	<b>1,042</b>	<b>1,081</b>
Part-time staff Included above	15	122	82	219	256

\*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 to report any failures.

## c) Pension Costs

	THLS £'000	NLB £'000	CIL £'000	Total 2002/2003 £'000	Total 2001/2002 £'000
Widows pension	792	404	449	1,645	1,548
Staff contributions	(159)	(91)	(130)	(380)	(384)
Employers contribution	–	16	–	16	–
Transfer values in	(137)	(303)	–	(440)	(236)
Transfer values out	71	–	–	71	127
	<b>567</b>	<b>26</b>	<b>319</b>	<b>912</b>	<b>1,055</b>
Other pensions paid	4,964	2,276	2,790	10,030	9,530
	<b>5,531</b>	<b>2,302</b>	<b>3,109</b>	<b>10,942</b>	<b>10,585</b>

## d) Senior Management Remuneration

### Trinity House

Board members emoluments:

The Trinity House performance related pay scheme is analogous to the Civil Service Board Members and Senior/Executive salaries and benefits.

#### Remuneration of Executive Directors

Name	Salary £'000	Performance Related Bonus £'000	Benefits £'000	Total 2002/2003 £'000	Total 2001/2002 £'000
J. De Halpert	62,242	5,470	144	67,856	2,517
P.B. Rowe	22,585	–	–	22,585	82,813
J. Wedge	8,812	–	5,334	14,146	–
K.W. Clark (dec'd)	33,633	–	–	33,633	65,631
M.G.B. Wannell	–	–	–	–	17,499
D.I. Brewer	61,087	4,000	–	65,087	58,620
P.J. Melson	65,008	2,000	225	67,233	59,139
D.C. Glass	61,087	2,400	225	63,712	56,667
D. Golden	53,000	3,000	249	56,249	37,948
W.A.C. Thomson	8,376	–	1,915	10,291	10,376
D. Coltman	8,376	–	1,047	9,423	4,407
I. Gibb	–	–	–	–	5,881
P.R.A. Bainbridge	8,376	–	610	8,986	8,794
D.F. Potter	5,944	–	847	6,791	–
<b>2002/2003</b>	<b>398,526</b>	<b>16,870</b>	<b>10,596</b>	<b>425,992</b>	
<b>2001/2002</b>	<b>396,046</b>	<b>7,520</b>	<b>6,726</b>		<b>410,292</b>

#### Pension Entitlements

	Age	Additional Pension Earned During the Year £'000	Accrued Entitlement 31 March 2003 £'000	Accrued Lump Sum 31 March 2003 £'000
J. De Halpert	55	798	798	2,295
P.B. Rowe	63	806	6447	19,343
J. Wedge	44	110	110	330
K.W. Clark (dec'd)	62	769	15,028	45,085
D.I. Brewer	47	1,774	20,312	60,938
P.J. Melson	58	927	2,450	7,393
D.C. Glass	56	948	3,011	9,123
D. Golden	44	701	1,157	3,473

All executive board members of Trinity House (including the Executive Chairman) are ordinary members of the Trinity House pension scheme. They are entitled to compensation for permanent loss of office under the terms of the Trinity House

compensation scheme, which is analogous to the Civil Service Compensation Scheme. Their contracts are ongoing until the age of 65, subject to satisfactory performance.

### Commissioners of Northern Lighthouses

The Chief Executive is not a Commissioner of the Northern Lighthouse Board, but is a member of the Management Committee formed in 1996/97.

The Chief Executive and the executive directors are ordinary members of the Northern Lighthouse Pension Scheme operated by direct analogy with the Principle Civil Service Pension Scheme. The Chief Executive is entitled to compensation for premature loss of office in accordance with the provisions of the Northern Lighthouse Compensation Scheme operated by direct analogy with the Civil Service Compensation Scheme. His contract is ongoing until retirement age of 60 subject to satisfactory performance.

The Commissioners of Northern Lighthouses performance related pay scheme is analogous to the Civil Service performance related pay scheme.

Each of the six commissioners were paid total fees of £8,376 per annum and were eligible for an additional payment of £419 pro rata for each day exceeding 20 days in the year. The total amount paid in the year including social security costs was £60,898 (2001/2002 £62,158).

The Commissioners are not members of the Northern Lighthouse Pension Scheme and are not entitled to receive compensation for loss of office.

### Remuneration of Executive Directors

Name	Salary £'000	Performance Related Bonus £'000	Benefits £'000	Total 2002/2003 £'000	Total 2001/2002 £'000
J. Taylor	68,556	4,456	–	73,012	70,824
P. Christmas	–	–	–	–	33,791
G. Platten	58,080	–	–	58,080	25,430
D. Gorman	61,620	–	–	61,620	58,911
M. Waddell	56,232	–	–	56,232	53,000
<b>2002/2003</b>	<b>244,488</b>	<b>4,456</b>	<b>–</b>	<b>248,944</b>	
<b>2001/2002</b>	<b>237,944</b>	<b>4,012</b>	<b>–</b>		<b>241,956</b>

### Pension Entitlements

	Age	Additional Pension Earned During the Year £'000	Accrued Entitlement 31 March 2003 £'000	Accrued Lump Sum 31 March 2003 £'000
J. Taylor	57	1,022	9,040	27,120
G. Platten	38	1,016	13,289	–
D. Gorman	48	894	5,579	16,735
M. Waddell	39	1,331	13,166	38,107

### Commissioners of Irish Lights

The Board members of the Commissioners of Irish Lights (CIL) 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 Civil Service. Pay determination is reserved for the Department for

Transport in consultation with the Department of Communications, Marine and Natural Resources.

The Chief Executive is not a Commissioner and therefore is not a member of the Board. The Chief Executive is a member of the Commissioners of Irish Lights Pension Scheme.

All Heads of Departments are members of the CIL Pension Scheme, which 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. There were no arrears of pay in 2002/2003 or 2001/2002.

### Remuneration of Chief Executive and Heads of Departments:

Name	Salary 2002/2003 £'000	Salary 2001/2002 £'000
T.M. Boyd	96,227	86,487
S.G.R. Ruttle	68,460	63,519
J.J. Hickey	64,144	59,514
M.A. Dyas	59,831	55,178
T.A. Elliot	59,320	52,956
J.M. Burke	45,332	41,035
<b>2002/2003</b>	<b>393,314</b>	<b>358,689</b>

### Pension Entitlements

	Age	Additional Pension Earned During the Year £'000	Accrued Entitlement 31 March 2003 £'000	Accrued Lump Sum 31 March 2003 £'000
T.M. Boyd	61	4,264	39,528	116,192
S.G.R. Ruttle	53	2,173	21,804	65,412
J.J. Hickey	52	1,766	20,359	61,079
M.A. Dyas	53	1,575	12,325	36,974
T.A. Elliot	56	2,495	27,680	81,441
J.M. Burke	35	1,213	2,127	-

## 6. Operating surplus

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

	2002/2003 £'000	2001/2002 £'000
Plant	598	190
Other	605	610

## 7.a) Total Operating Costs

<i>Expenditure</i>	<i>THLS</i> £'000	<i>NLB</i> £'000	<i>CIL</i> £'000	2002/2003 £'000	2001/2002 £'000
Lighthouses (inc. Heliport)	3,338	2,170	3,247	8,755	8,109
Lightfloats and light vessels	622	–	101	723	542
Buoys and beacons	976	88	336	1,400	1,380
Lanbys	–	–	79	79	108
Tenders	4,823	3,673	1,325	9,821	9,515
Depots and workshops	8,810	2,107	2,174	13,091	12,429
Head office (GLA)	1,749	3,813	2,788	8,350	8,200
Stores write off	16	–	–	16	50
Redundancy	86	162	223	471	1,562
Provisions for liabilities and charges	–	130	–	130	(129)
MV Pharos (project costs)	–	23	–	23	–
<b>Running Costs</b>	<b>20,420</b>	<b>12,166</b>	<b>10,273</b>	<b>42,859</b>	<b>41,766</b>
Depreciation	4,061	2,899	1,744	8,704	8,123
Pension costs (net of WPS contributions)	5,531	2,302	3,109	10,942	10,585
	<b>30,012</b>	<b>17,367</b>	<b>15,126</b>	<b>62,505</b>	<b>60,474</b>

### GLF Costs:

Fund management fees	32	(19)
Light dues collection costs	959	925
Lighthouses abroad	18	21
Research and development	570	562
Galileo study	15	–
Wreck removal	25	–
Sombrero	5	676
Administration expenses of the Secretary of State	112	172
Actuarial valuation	17	–
Provisions for bad debts	5	(1)
Audit Fee	135	136
Loss on foreign exchange	1,322	153
<b>Total</b>	<b>65,720</b>	<b>63,099</b>

## b) Other Operating Costs

	THLS	NLB	CIL	Total 2002/2003
	£'000	£'000	£'000	£'000
Communications	420	492	210	1,122
Services & energy	6,550	3,089	2,974	12,613
Travel & subsistence	863	924	814	2,601
Others	3,589	774	1,322	5,685
<b>Total</b>	<b>11,422</b>	<b>5,279</b>	<b>5,320</b>	<b>22,021</b>

## 8. Interest Payable on Leases for:

THV Mermaid	MV Pole Star	MV Pharos	ILV Granvaile	2002/2003	2001/2002
£'000	£'000	£'000	£'000	£'000	£'000
150	406	752	506	<b>1,814</b>	<b>2,035</b>

## 9. a) Tangible Fixed Assets

	Land and Buildings	Tenders and Ancillary Craft	Plant and Machinery	Light Vessels and Lanbys	Buoys and Beacons	IT Equipment	Assets in Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Costs:</b>								
<b>Balance at 1 April 2002</b>	<b>29,594</b>	<b>62,433</b>	<b>54,772</b>	<b>8,209</b>	<b>5,971</b>	<b>1,453</b>	<b>12,304</b>	<b>174,736</b>
Additions (see below)	1,267	598	1,482	578	382	547	2,847	7,701
Transfers	5,784	–	4,597	200	636	–	(11,217)	–
Disposals	(409)	–	(558)	–	(59)	–	–	(1,026)
<b>Balance at 31 March 2003</b>	<b>36,236</b>	<b>63,031</b>	<b>60,293</b>	<b>8,987</b>	<b>6,930</b>	<b>2,000</b>	<b>3,934</b>	<b>181,411</b>
<b>Expenditure on additions 2002/03</b>								
THLS	–	398	162	396	130	547	1,427	3,060
NLB	1,133	188	909	–	34	–	896	3,160
CIL	134	12	411	182	218	–	524	1,481
	<b>1,267</b>	<b>598</b>	<b>1,482</b>	<b>578</b>	<b>382</b>	<b>547</b>	<b>2,847</b>	<b>7,701</b>
<b>Depreciation:</b>								
<b>Balance at 1 April 2002</b>	<b>12,920</b>	<b>23,115</b>	<b>30,235</b>	<b>5,487</b>	<b>3,309</b>	<b>763</b>	<b>–</b>	<b>75,829</b>
Provided during the year	931	3,177	3,295	735	336	230	–	8,704
Disposals	(293)	–	(487)	–	(39)	–	–	(819)
<b>Balance at 31 March 2003</b>	<b>13,558</b>	<b>26,292</b>	<b>33,043</b>	<b>6,222</b>	<b>3,606</b>	<b>993</b>	<b>–</b>	<b>83,714</b>
<b>Net Book Value – at 1 April 2002</b>	<b>16,674</b>	<b>39,318</b>	<b>24,537</b>	<b>2,722</b>	<b>2,662</b>	<b>690</b>	<b>12,304</b>	<b>98,907</b>
<b>– at 31 March 2003</b>	<b>22,678</b>	<b>36,739</b>	<b>27,250</b>	<b>2,765</b>	<b>3,324</b>	<b>1,007</b>	<b>3,934</b>	<b>97,697</b>
Leased assets included in the above								
<b>Net book value at 1 April 2002</b>		<b>38,143</b>						<b>38,143</b>
Expenditure on additions 2002/2003		200						200
Depreciation provided in year		(2,726)						(2,726)
<b>Net book value at 31 March 2003</b>		<b>35,617</b>						<b>35,617</b>

## b)

Assets in the course of construction include £929k (2001/02 £926k) in respect of the Loran C station in the Republic of Ireland. These works were wholly financed from a grant received from the Irish Government. Capital Grants received in respect of Differential Global Positioning System (DGPS) is treated as a deferred credit, a portion of which is released to the Income and Expenditure account annually over the useful economic life of the asset to which it relates. The balance of unreleased deferred credit is £91k (2001/02 £123k).

## 10. Debtors

	31 March 2003 £'000	31 March 2002 £'000
Trade and other debtors	4,619	4,741
Prepayments and accrued income	477	530
VAT recoverable	739	616
	<b>5,835</b>	<b>5,887</b>

## 11. Investments

Cost	MSQ £'000	HSBC £'000	Total £'000
01 April 2002	26,130	34,717	60,847
Additions	4,439	8,337	12,776
Disposals	(5,790)	(8,757)	(14,547)
31 March 2003	<b>24,779</b>	<b>34,297</b>	<b>59,076</b>

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

In addition cash is held by Morgan Stanley Quilter of £0.1m Capital Account, £15.9m cash reserve, £1.3m Euro reserve and by HSBC of £0.7m totalling £18m (2001/2002 £11.2m). The capital accounts are disclosed as cash in the Balance Sheet and are used as capital reserves for investments.

The market value of the investments is as follows:

	MSQ £'000	HSBC £'000	31 March 2003 £'000	31 March 2002 £'000
Government securities	5,149	–	5,149	5,759
Equities	15,034	25,367	40,401	51,903
	<b>20,183</b>	<b>25,367</b>	<b>45,550</b>	<b>57,662</b>

## 12. Creditors: Amounts falling due within one year

	31 March 2003 £'000	restated 31 March 2002 £'000
Trade and other creditors	3,185	3,746
Taxes and social security costs	663	625
Accruals	1,980	1,547
Provisions for liabilities and charges	132	–
Obligations under finance leases (note 14)	2,314	1,994
	<b>8,274</b>	<b>7,912</b>

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

	31 March 2003 £'000	restated 31 March 2002 £'000
Obligations under finance leases (note 14)	29,735	30,794
Trade and other creditors	98	124
	<b>29,833</b>	<b>30,918</b>

## 14. Obligations Under Finance Leases

Amounts payable:	31 March 2003 £'000	31 March 2002 £'000
Within one year	2,314	1,994
In one to two years	2,447	2,142
In two to five years	7,954	7,436
Over five years	19,334	21,215
	<b>32,049</b>	<b>32,787</b>

The Trinity House vessel, Mermaid, is charged on a variable rate based upon the London Interbank Offer Rate (LIBOR).

The Northern Lighthouse Board vessels:

MV Pharos interest rate was fixed at time of entering the agreement build date. A new fixed rate was set from May 2003 to May 2006;

MV Pole Star interest rate was fixed at the time of entering the agreement.

The Commissioners of Irish Lights vessel, Granuaile interest rate was fixed at the time of entering the agreement.

The average rates of interest charged are as follows:

	2002/2003	2001/2002
Trinity House vessel Mermaid	4.22%	4.90%
Commissioners of Irish Lights vessel Granuaile	4.59%	4.59%
Northern Lighthouse Board vessel Pharos	6.19%	8.30%
Northern Lighthouse Board vessel Pole Star	5.31%	5.03%

## 15. Obligations Under Operating Leases

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

<i>Leases expiring</i>	<i>31 March 2003</i> £'000	<i>31 March 2002</i> £'000
Within one year	491	165
Within two to five years	799	1,137
After five years	17	21
	<b>1,307</b>	<b>1,323</b>

## 16. Pension Reserve

The methodology used in calculating the Pension Reserve was revised following discussion between the General Lighthouse Authorities, the actuarial advisers and the auditors. At present members of the General Lighthouse Authorities Pension Scheme contribute 1.5% of pensionable salaries towards the cost of providing spouses' pensions in the event of their death. However it is estimated the actual cost is 2.2%. The Pension Reserve will equal the estimated value of employee contributions to date. An updated valuation of these liabilities will be made every three years in line with the General Lighthouse Authorities policy on actuarial valuations. In the intervening years the actuaries will apply an approximation.

<i>Pension reserve for the year ending</i>	<i>31 March 2003</i> £'000	<i>31 March 2002</i> £'000
Estimated value of employees contributions to fund spouses pensions	30,698	29,277
Plus/(Less) allowance for expected investment return (in 2001/2002)	(1,064)	2,365
Exchange difference arising on translation	967	(133)
Plus staff contributions	380	400
Less spouses' pensions paid	(1,265)	(1,176)
Less transfer values out	-	(35)
<b>Pension Reserve 31 March 2003</b>	<b>29,716</b>	<b>30,698</b>

	<i>31 March 2003</i> £'000
<i>Transfer to pension reserve</i>	
<b>Spouses' pension paid in 2002/2003</b>	<b>(1,265)</b>
Employee contributions paid in 2002/2003	380
Allowance for expected investment performance	(97)
	<b>(982)</b>

## 17. Capital Commitments

	<i>31 March 2003</i> £'000	<i>31 March 2002</i> £'000
<b>Amounts contracted for but not provided in the accounts</b>	<b>749</b>	<b>1,200</b>

## 18. Pension Commitments

There are internally financed defined benefit pension 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 Pensions Act 1975 and are not required to be separately funded. The schemes are operated 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.

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's) paid to those members who are made redundant in advance of normal retirement age (60);
- 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.

In May 2002, an actuarial valuation as at 31 March 2002 was completed using the Projected Unit Credit Method. The actuary used a “best estimate” approach of future experience i.e. one that includes no margin for caution. The valuation assumed an investment return of 8.0% (pre-retirement) and 6.0% (post retirement), salary growth of 4.25%, price inflation at 2.75% and the same increase for current and deferred pensioners. It also applied standard actuarial tables for mortality rates. The accumulated liability in respect of all current employees of the three Authorities was in the order of £45.6m. The estimated liability for pensions in payment and deferred pensions of former employees was £165m.

The GLF’s future liability for annual compensation payments has been assessed by its actuaries to be £3.97m as at 31 March 2002. This liability measures all ACPs payable up to each individual’s 60th birthday. The actuaries’ estimate that the liability for ACPs at 31 March 2003 is £2.7m.

The following has been provided in accordance with the transitional arrangements for Financial Reporting Standard 17 Retirement Benefits:

	31 March 2003 £'000	31 March 2002 £'000
Active members	58,991	52,364
Deferred pensioners	25,726	23,233
Pensioners	147,904	141,602
Total liability at projected unit method	<b>232,621</b>	<b>217,199</b>
Real discount rate	3.5%	3.5%
Inflation rate	2.5%	3.0%
Discount rate	6.0%	6.5%

#### Scheme Liability at 31 March 2002

	£'000	£'000	£'000
			<b>217,199</b>
Current service cost		3,159	
Past service costs		–	
Interest on pension scheme liability		13,872	
			<b>17,031</b>

#### Benefits payable

Pensions or annuities to retired employees and dependants	(10,278)
Commutations and lump sum benefits:	
	(997)
	(363)
	(37)
	<b>(11,675)</b>

#### Pension payments to and on account of leavers

Refunds to members leaving service	(1)
Group transfers to other schemes	–
Individual transfers to other schemes	(31)
	<b>(32)</b>
	<b>(11,707)</b>

#### Income received in respect of enhancements

Employees:	
Purchase of added years	145
WPS contributions	235
Employers:	
Bringing forward the payment of accrued lump sums	–
Enhancement to pensions on departure	–
Enhancement to pensions on retirement	–
	<b>380</b>

#### Pension transfers in

Group transfers in from other schemes	–
Individual transfers in from other schemes	300
	<b>300</b>
	<b>680</b>

#### Actuarial gains and losses

Experience arising on scheme liabilities	(410)
Changes in assumptions underlying the present value of scheme liabilities	1311
Impact of change in exchange rate	8616
	<b>9517</b>
Club transfers in	(140)
Club transfers out	41
	<b>9,418</b>

#### Scheme liability at 31 March 2003

	<b>232,621</b>
The “Experience arising on the scheme liabilities” of £2,948,000 and the total “Actuarial Losses” of £1,996,000 represent 2.8% and 1.9% respectively of the total scheme liability at 31 March 2003.	
Opening balance	217,199
Closing balance	232,621
	<b>15,422</b>
Operating costs	3,159
Financing costs	13,872
Pension payments	(11,027)
Statement of recognised gains and losses	9,418
	<b>15,422</b>

The Department for Transport has reported the contingent liability for the General Lighthouse Authorities' pensions for inclusion in the Consolidated Fund and National Loans Fund Accounts for 2001/2002 and a liability of £210.6m (the estimated liability calculated at 31 March 2002) 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 2) 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 DfT, the other GLAs 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 two 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 NLB is a participating employer of the Merchant Navy Officers' Pension Fund (MNOFF) which is a defined benefit scheme providing benefits based on final pensionable salary. Officers who start employment with the NLB and are members of the MNOFF are given the option of continuing MNOFF membership or joining the NLB Pension Scheme. The assets of the scheme are held separately from the General Lighthouse Fund, being held in separate funds managed by trustees of the scheme. Contributions to the scheme (11.9% of pensionable salaries) are charged to the Income and Expenditure account when they are paid.

During 2002/2003 four Officers were members of the MNOFF.

## **19. 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.

## **20. Contingent Liabilities**

### **Protection and Indemnity**

The Authorities' 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-assurance programme and the pooling arrangements of the International Group. However, in common with all members with International Group Clubs the Authorities 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 1999/2000 and there will be no Supplementary Calls for these years. The Club has advised the Authorities that it does not anticipate Supplementary Calls for the years 2000/2001, 2001/2002 and 2002/2003. As a result, the Authorities have made no provision in the Accounts.

### **Merchant Navy Officers' Pension Fund – Northern Lighthouse Board**

The MNOFF has a deficit of £8.0m identified at an actuarial valuation as at 31 March 2000. 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 stated that it intends to make 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 Northern Lighthouse Board can be

required to contribute to the deficit. However, the amount will depend on the decision of the Trustee Board and the decision of the Court. As a result, the Board has made no provision in the Accounts.

## 21. Inter GLA Transactions

During the year, the services of MV Pharos, MV Pole Star (NLB), THV Mermaid and THV Patricia (THLS) were not provided to the other GLAs under the terms of the Inter GLA ship agreement dated 12 December 2000. However NLB utilised ILV Granuaile (CIL) for 7 days in February 2003. While there would be no transfer of funds between the GLAs in respect of this service, this transaction would give rise to notional expenditure – 2002/2003 £39,000 (2001/2002 – £ nil).

During the year an arrangement was made for the refurbishment of buoys to be carried out by Trinity House on behalf of the Commissioners of Irish Lights. This arrangement is initially for a trial period and will require an Inter GLA Service Level agreement if the arrangement continues on a long term basis. Whilst there is no transfer of funds between the two GLAs in respect of this service, the work undertaken in the year would give rise to a notional income of £13,337.

## 22. Related Parties

The Fund is administered by the Department for Transport who sponsor the three Authorities. For this purpose each is considered to be a Non-Departmental Public Body (NDPB).

The Authorities are regarded to be related parties.

Neither the Secretary of State for Transport and 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

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

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

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

In order to finance the refurbishment THLS has made a loan facility available to Trinitas Services Ltd up to £1,000,000. At the Balance Sheet date £440,000 had been drawn down. The loan has a fixed interest rate of 5% payable after three years.

Mr P.R. Bainbridge, a Non-Executive Director of THLS, has been appointed to the Board of Trinitas Services Ltd as nominee of THLS.

### 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 between the Board and the Trust.

### Scotland's Lighthouse Museum Trust

Scotland's Lighthouse Museum Trust 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 lighthouses in Scotland and to aid their physical preservation. The Chief Executive is a Trustee. The only transactions between the Trust and the Board have been the gifting or loan of artefacts.

### Commissioners of Irish Lights

In addition the Republic of Ireland's Department of Communications, Marine and Natural Resources is considered to be a related party of the Commissioners of Irish Lights. During the year material transactions took place between the Commissioners of Irish Lights and the Republic of Ireland's Department of Communications, Marine and Natural Resources.

## 23. Post Balance Sheet Events

A post balance sheet review of the market value of Investments at 31 March 2004 revealed a recovery of a deficit from £12.7m to £3.4m. As a result the

write down of Investments to market value at 31 March 2003 has been charged to the "Statement of Total Recognised Gains and Losses" (STRGL) rather than the Income and Expenditure account.

## 24. 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 GLAs face in undertaking their activities. Because of the largely non-trading nature of their activities and the method of funding by the General Lighthouse Fund, they are not exposed to the degree of financial risk faced by other business entities. TH and NLB have borrowing powers under the Merchant Shipping Act 1995, but very limited powers to invest surplus funds.

As permitted by FRS 13, debtors and creditors which mature or became payable within 12 months from the balance sheet date have been omitted from the profile.

### Liquidity Risk

The GLAs rely primarily on advances from the GLF for its cash requirements and are therefore not exposed to significant liquidity risks although it is dependent on the liquidity of the GLF.

There is no significant liquidity risk for the GLF. The Fund has significant cash balances, and maintains a portfolio of investments which could be liquidated if the need arose.

### Interest Rate Risk

Trinity House Lighthouse Service

The finance leases for the ships THV Patricia and THV Mermaid present a potential exposure to interest rate 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 Interbank 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 rate of interest on the loan to Trinitas Ltd by THLS is fixed which therefore presents no risk against interest fluctuations.

### Northern Lighthouse Board

The finance lease for NLB's MV Pole Star is a fixed interest rate and there is no exposure to interest rate risks. The finance lease for MV Pharos is at a fixed interest rate until May 2006. On expiry of the interest rate Swap in May 2006, there will be an exposure to an interest rate risk. The decision to refinance until May 2006 was taken following an evaluation of the likely date of replacement of MV Pharos with a new Multi Function Tender. The only other exposure on the leases is to a change in the main rate of Corporation Tax. During the setting up of the finance lease for MV Pole Star, NLB evaluated the option of eliminating this exposure. However, it was found that the financial risks were not significant.

### Commissioners of Irish Lights

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

The GLAs hold monies in interest earning deposit accounts and money market 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.

### 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 2003.

	Book Value £'000	Fair Value £'000
<b>Financial assets</b>		
Investments	45,550	45,550
Cash at bank and in hand	21,223	21,223
Bank guarantees	225	225
Loan to Trinitas Services Ltd	440	440
<b>Financial Liabilities</b>		
Finance lease obligations	32,049	32,034

## 25. Reserve Movements

	2002/2003	2001/2002
	£'000	£'000
<b>Accumulated reserve</b>		
Balance at 1st April	110,982	97,750
Transfers from/(to) pension reserve	982	(1,421)
Surplus for the year	5,469	14,653
Balance at 31st March 2003	117,433	110,982
<b>Revaluation reserve</b>		
Balance at 1st April	–	–
Revaluation of Investments	(13,526)	–
Balance at 31st March 2003	(13,526)	–
<b>Pension reserve</b>		
Balance at 1st April	30,698	29,277
Transfers from/(to) accumulated reserve	(982)	1,421
Balance at 31st March 2003	29,716	30,698
<b>Grants reserve</b>		
Balance at 1st April	1,021	1,014
Movement in year	33	7
Balance at 31st March 2003	1,054	1,021

## 26. Further Information

### (a) Numbers of fixed assets:

	THLS	NLB	CIL	31 March 2003	31 March 2002
Lighthouses	71	201	82	354	354
Lightfloats	16	–	3	19	19
Lanby buoys	–	–	3	3	3
Buoys & beacons	590	292	313	1,195	1,185
Tenders & ancillary craft	17	2	2	21	21
Lighthouses abroad	1	–	–	1	1
	<b>695</b>	<b>495</b>	<b>403</b>	<b>1,593</b>	<b>1583</b>

### (b) Number of fixed assets deployed

	THLS	NLB	CIL	31 March 2003	31 March 2002
Lighthouses	70	201	80	351	351
Lightvessels	11	–	–	11	11
Lightfloats	2	–	2	4	15
Lanby buoys on station	–	–	2	2	2
Buoys & beacons on station	431	177	196	804	802
Tenders & ancillary craft	7	2	2	11	11
Lighthouses abroad	2	–	–	2	2
	<b>523</b>	<b>380</b>	<b>282</b>	<b>1,185</b>	<b>1,194</b>

# Five Year Summary

	2003 £'000	Restated 2002 £'000	2001 £'000	2000 £'000	1999 £'000
Light dues and Irish Government contributions	74,096	77,196	73,035	70,425	69,045
Other operating income	829	967	634	682	884
	<b>74,925</b>	<b>78,163</b>	<b>73,669</b>	<b>71,107</b>	<b>69,929</b>
Staff costs	(24,053)	(24,025)	(22,242)	(22,313)	(23,094)
Pensions	(10,942)	(10,585)	(10,264)	(9,901)	(10,062)
Depreciation	(8,704)	(8,123)	(7,426)	(6,578)	(5,871)
Other operating costs	(22,021)	(20,117)	(20,451)	(20,419)	(22,373)
Operating surplus/(deficit)	<b>9,205</b>	<b>15,313</b>	<b>13,286</b>	<b>11,896</b>	<b>8,529</b>
Profit/(Loss) on sale of fixed assets	(173)	623	177	60	378
Income from investments	1,563	1,493	2,105	1,939	2,108
Profit/(Loss) on sale of investments	(3,989)	(1,529)	86	4,042	2,759
Other interest receivable	677	788	480	614	579
Interest payable	(1,814)	(2,035)	(1,989)	(1,433)	(1,384)
Surplus/(deficit) for the financial year	<b>5,469</b>	<b>14,653</b>	<b>14,145</b>	<b>17,118</b>	<b>12,969</b>
Fixed assets	97,697	98,907	95,661	90,966	77,595
Long term debtors	440	300			
Investments	45,550	60,847	53,259	18,284	36,515
Other net current assets	20,823	13,565	12,212	31,475	4,611
Long term liabilities	(28,779)	(29,897)	(32,956)	(26,746)	(21,512)
Deferred income	(1,054)	(1,021)	(1,149)	(1,097)	(1,445)
Capital and reserves	<b>134,677</b>	<b>142,701</b>	<b>127,027</b>	<b>112,882</b>	<b>95,764</b>
Purchase of tangible fixed assets	7,701	11,469	12,539	20,038	14,529
Average number of employees	1,042	1,087	1,116	1,140	1,206

# Appendix 1

**Accounts direction given by the United Kingdom Secretary of State for Transport with the consent of Her Majesty's Treasury, in accordance with Section 218(1) of the Merchant Shipping Act 1995 (Section 664 of the Merchant Shipping Act 1894 for Ireland).**

1. The annual accounts of Trinity House Lighthouse Service, [Northern Lighthouse Board], [The Commissioners of Irish Lights] (hereafter in this accounts direction referred to as "the Authority") shall give a true and fair view of the income and expenditure and cash flows for the year and the state of affairs at the year end. Subject to this requirement, the annual accounts shall be prepared in accordance with:
  - (a) the accounting and disclosure requirements given in the Treasury guidance Executive Non-Departmental Public Bodies Annual Reports and Accounts Guidance (issued July 2000), as amended or augmented from time to time, and subject to Schedule 1 to this direction;
  - (b) any other relevant guidance that the Treasury may issue from time to time in respect of accounts that are required to give a true and fair view;
  - (c) any other specific disclosure requirements of the Secretary of State;
  - (d) any particular provisions that may be required under legislation or accounting standards applicable to the Republic of Ireland.

insofar as these requirements are appropriate to the Authority, do not contradict Merchant Shipping Act Legislation and are in force for the year for which the accounts are prepared, and except where agreed otherwise with the Secretary of State, in which case the exception shall be described in the notes to the accounts.

2. Schedule 1 to this direction gives clarification of the application of the accounting and disclosure requirements of the Companies Act 1985 and also gives any exceptions to standard Treasury requirements. Additional disclosure requirements of the Secretary of State are set out in Schedule 2.
3. This direction shall be effective from the accounting period starting 1 April 2002.
4. This direction shall be reproduced as an appendix to the annual accounts.

Signed by authority of the Secretary of State for Transport.

S. REEVES

Date 10.03.2003

A grade 5 officer in the Department for Transport

**SCHEDULE 1**

1. Expenditure in the income and expenditure account shall include a notional cost of capital, at 6% of the average net assets during the year. This amount shall be reversed after the line showing the surplus or deficit for the year.
2. Stocks are recorded in the accounts at weighted average cost. Stocks are however continually reviewed for potential obsolescence and are adjusted to reflect net realisable cost where this is lower.
3. The Directors Report [foreword] [Commissioners Report] shall be signed and dated by the:  
  
THLS: The Executive Chairman.  
[NLB: Chairman]  
[CIL: Chairman]  
  
The Balance Sheet shall be signed by:  
  
THLS: The Executive Chairman and Director of Finance  
[NLB: The Chairman and Chief Executive]  
[CIL: The Chairman and Chief Executive]
4. The Statement on Internal Control shall be signed by:  
  
The Executive Chairman [Chief Executive].
5. Tangible Fixed Assets in use are valued at Depreciated Historic Cost. Land and assets under construction are not depreciated.

**SCHEDULE 2****Additional Disclosure Requirements**

The following information shall be disclosed in the annual accounts, as a minimum, and in addition to the information required to be disclosed by paragraph 1 of this direction.

**1. The income and expenditure account**

Income shall be analysed between funding from the General Lighthouse Fund and other income.

**2. The balance sheet**

Part of the accumulated reserves shall be designated as a pension reserve. The balance on the pension reserve shall represent accumulated staff contributions in respect of widows' benefit. An updated valuation of these liabilities shall be made every three years, in line with the General Lighthouse Authorities' policy on actuarial valuations. In the intervening years, an approximate valuation shall be made, based on a formula provided by the actuaries.

**3 The notes to the annual accounts**

- \* (a) a report on the emoluments of the chief executive and of each individual board member and senior manager during the year (with separate disclosure where more than one person occupied an office). The report shall include full details of all elements in the remuneration package of each person, such as fees, salary, annual bonuses, payment on termination of office, other taxable benefits, pension contributions, and the performance related elements of these (for which the basis on which the performance is measured shall be explained). For each paid board member, the report shall also show the time commitment in terms of days per month.
- \* (b) if a board member, the chief executive or a senior manager has been appointed for a fixed term or is on a fixed-term service contract, the term shall be stated together with details of any predetermined compensation on termination of office;
- \* (c) a statement of the pension entitlements earned by the chief executive and by each individual board member and senior manager during the year, disclosed on a basis agreed with the Treasury;

- (d) details of employees, other than board members, showing;
  - (i) the average number of persons employed during the year, including part-time employees and secondees, analysed between appropriate categories;
  - (ii) the total amount of loans to employees.
- (e) an analysis of liquid resources, as defined by United Kingdom accounting standard FRS 1 (revised);
- (f) in the note on debtors, prepayments and payments on account shall each be identified separately;
- (g) particulars of any transaction, arrangement or contract (other than a contract of service or of employment with the Authority), including transactions at arm's length, entered into by the Authority with another party, exceeding £5,000 in value, in which party a board member, an executive, a senior employee, or a person connected with any of the foregoing, at any time during the year, had a direct financial interest that was notified to the Authority. For these purposes, a senior employee means someone whose emoluments in the year (excluding pension contributions but including the other elements mentioned in sub-paragraph 3(a), above) exceeded £50,000 [EURO 80,000]; and a connected person shall be as defined in Section 839 of the United Kingdom Income and Corporation Taxes Act 1988 or superseding legislation and including a member of the same household;
- (h) a statement of losses and special payments during the year, being transactions of a type which the United Kingdom parliament cannot supposed to have contemplated. Disclosure shall be made of the total of losses and special payments if this exceeds £100,000 [EURO 160,000], with separate disclosure and particulars of any individual amounts in excess of £100,000 [EURO 160,000]. Disclosure shall also be made of any loss or special payment of £100,000 [EURO 160,000] and below if it is considered material in the context of the Authority's operations.

Ireland Data Protection Act 1998, individuals may need to give their consent for some of the information in these sub-paragraphs to be disclosed. If so, and if consent is withheld, this should be stated next to the name of the individual.

\* 3(a), 3(b) and 3(c). Under the United Kingdom Data Protection Act 1998 and the Republic of

# Appendix 2

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

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

The pensions in respect of the beneficiaries of the Pensions Schemes of the General Lighthouse Authorities (GLAs) 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 GLAs 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 GLAs. The pensions of the GLAs are therefore assured by this Letter of Comfort.

Signed by:

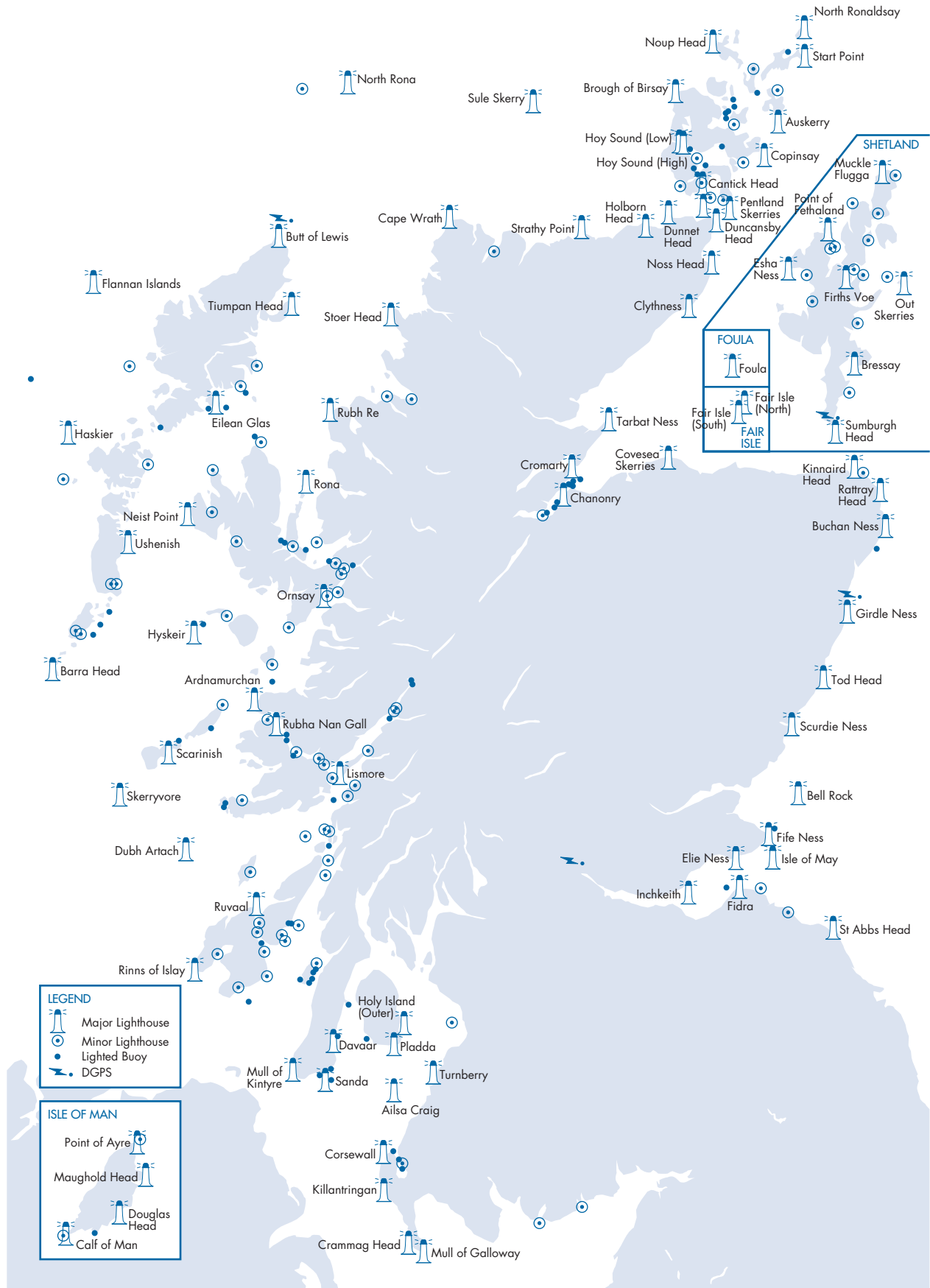
DAVID JAMIESON  
On behalf of the Secretary of State  
For Transport, Local Government and the Regions  
Date 17.12.2001



## Trinity House Lighthouse Service



# The Northern Lighthouse Board



## Commissioners of Irish Lights

